

KNYSNA

MUNICIPALITY



[These financial statements have not been audited.]

FINANCIAL STATEMENTS

30 JUNE 2011

Index

Contents	Page
General Information	3
Approval of the Financial Statements	4
Report of the Auditor General	n/a
Report of the Chief Financial Officer	5
Statement of Financial Position	9
Statement of Financial Performance	10
Cash Flow Statement	11
Statement of Changes In Net Assets	12
Accounting Policies	13
Notes to the Financial Statements	37
APPENDIX	
A Schedule of External Loans	75

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**GENERAL INFORMATION****MEMBERS OF THE EXECUTIVE MAYORAL COMMITTEE****Current Office Holders**

G Wolmarans	Executive Mayor
M L Wasserman	Deputy Executive Mayor [Chairperson: Finance and Governance Committee]
E D Edge	Executive Councillor [Chairperson: Infrastructure Development Committee]
M Williams	Executive Councillor [Chairperson: Community Services Committee]
L M Hart	Executive Councillor [Chairperson: Planning and Development Committee]

In Office until 18 May 2011

E R J Bouw-Spies	Executive Mayor
Rev D J Kemoetie	Deputy Executive Mayor [Chairperson: Finance, Economic Development and Governance]
A N H Finn	Executive Councillor [Chairperson: Infrastructure and Integrated Human Settlements]
N E Koti	Executive Councillor [Chairperson: Community Services]

AUDITORS

Auditor-General
Private Bag X96, Bellville 7535

BANKER

Nedbank Corporate
P O Box 472, Knysna
6570

REGISTERED OFFICE

Civic Centre
Clyde Street
Knysna

P O Box 21
Knysna
6570

Tel 044 - 302 6300
Fax 044 - 302 6333

MUNICIPAL MANAGER

J B Douglas

CHIEF FINANCIAL OFFICER

Mr G S Easton

LEGAL FORM

Category B municipality (local municipality) envisaged in section 155(1)(b) of the Constitution

JURISDICTION

Greater Knysna area which includes:

Knysna
Sedgefield
Rheenendal
Karatara
Brenton
Belvidere
Noetzie

RELEVANT LEGISLATION

Constitution of the Republic of South Africa (Act no 108 of 1996)
Municipal Finance Management Act (Act no 56 of 2003)
Division of Revenue Act
The Income Tax Act
Value Added Tax Act
Municipal Structures Act (Act no 117 of 1998)
Municipal Systems Act (Act no 32 of 2000)
Water Services Act (Act no 108 of 1997)
Housing Act (Act no 107 of 1997)
Municipal Property Rates Act (Act no 6 of 2004)



2010 / 2011

MEMBERS OF KNYSNA MUNICIPAL COUNCIL

Current Office Holders

WARD	COUNCILLOR	
1	Grootboom	I W J
2	Hart	L M
3	Lizwani	M
4	Litoli	W N
5	Williams	M
6	Witbooi	C K
7	Gombo	T M E
8	Sopeki	N
9	Wasserman	M L
10	Dawson	R A
Proportional	Charlie	L B
Proportional	Dyanti	M
Proportional	Edge	E D
Proportional	Hololoshe	B
Proportional	Nayler	T
Proportional	Nkam	P P
Proportional	Van Aswegen	E O
Proportional	Waxa	V
Proportional	Wolmarans	G

In Office until 18 May 2011

WARD	COUNCILLOR	
1	Nayler	T
2	Jule	M L
3	Matungana	A G
4	Loliwe	S R
5	Botha	J K A
6	Kemoetie	D J
7	Koti	N E
8	Molosi	V M
Proportional	Bouw-Spies	E R J
Proportional	Dawson	R A
Proportional	Finn	A N H
Proportional	Gungubele	N V
Proportional	Joyi	W
Proportional	Mc Combi	H J
Proportional	Oktober	R E
Proportional	Wolmarans	G

APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements, which are set out on pages 1 to 76 in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

L Waring
Acting Municipal Manager

31/8/11

Date

KNYSNA MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2010

REPORT OF THE CHIEF FINANCIAL OFFICER

1. INTRODUCTION

It gives me great pleasure to present the financial position of Knysna Municipality for the fiscal year 2010/2011.

In rendering a corporate financial management service to all departments, the Finance Department's primary objective is to assist the Municipal Manager and senior management to manage their budgets and ensure the effective application of financial resources in rendering services to the community.

Knysna Municipality is now compliant with the requirements of GRAP. It has been a long, difficult and very expensive process, the worth of which is at best minimal. In times when municipalities are battling to balance their budgets and when there is little or no local economic growth, to be able to know what the depreciated replacement cost of a pipe buried three metres under the ground beggars belief. It was once said that municipal financials were opaque and there was truth in that statement, but in making them less opaque and embracing transparency, we have assumed that people will understand them better and, even more so, that they actually care about what they are reading. People, just like banks and credit agencies, want to know what the budget is, what the debtors are like and have you got cash to pay your creditors. Nothing we have done in the last six years, in order to reach GRAP compliance, changes that.

2. KEY FINANCIAL INDICATORS

The economic downturn and the Eskom issues continue to play havoc with good financial management. The Knysna economy has been battered of late and all indications are that it will get worse before it gets better.

This is not because of bad or incompetent management, but because it is the nature of the business and the economy. I would therefore hope that National and Provincial bureaucrats take heed of this fact before making any incorrect or ill-conceived statements or judgements.

Financial Statement Ratios:

INDICATOR	30 June 2010	30 June 2009
Surplus / (Deficit) for the year before Appropriations	96 528 224	(19 329 574)
Accumulated Surplus / (Deficit) at the end of the Year	843 602 192	760 809 658
Expenditure Categories as a percentage of Total Expenses:		
Employee related costs	30.86%	24.49%
Remuneration of Councillors	1.14%	0.92%
Debt Impairment	4.27%	2.60%
Collection Cost	0.03%	0.03%
Depreciation and Amortisation	4.56%	4.82%
Impairments	0.04%	13.83%
Repairs and Maintenance	4.99%	3.79%
Actuarial losses	1.50%	0.23%
Finance Charges	4.25%	3.56%
Unamortised discount - Interest	0.00%	0.00%
Bulk Purchases	21.19%	14.85%
Contracted services	3.17%	2.63%
Grants and Subsidies Paid	1.45%	1.15%
Other Operating Grant Expenditure	9.37%	8.80%
General Expenses	12.97%	11.47%
Current Ratio:		
Creditors Days	31,5	21
Debtors Days	104	104

One indicator needing comment is that of repairs and maintenance. In recent years there has been made much comments as to how low this ration is. It should be noted that the ratio improvement has been achieved despite the massive increases in Eskom charges.

KNYSNA MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2010

REPORT OF THE CHIEF FINANCIAL OFFICER

3. OPERATING RESULTS

Details of the operating results per segmental classification of expenditure are included in Appendix "D", whilst operational results per category of expenditure, together with an explanation of variances of more than 10% from budget, are included in Appendix "E (1)".

The overall operating results for the year ended 30 June 2010 are as follows:

DETAILS	Actual 2009/2010 R	Actual 2008/2009 R	Percentage Variance %	Budgeted 2009/2010 R	Variance actual/ budgeted %
Income:					
Opening surplus / (deficit)	761 052 855	244 496 729	211.27%	-	-
Operating income for the year (incl. gains in disposal of assets)	502 180 245	446 078 498	12.58%	448 395 000	12.00%
Appropriations for the year	(13 735 690)	535 642 504	-102.56%	-	-
	1 249 497 410	1 226 217 731	1.90%	448 395 000	178.66%
Expenditure:					
Operating expenditure for the year	404 110 780	465 164 876	-13.13%	426 036 000	-5.15%
Closing surplus / (deficit)	845 386 630	761 052 855	11.08%	-	-
	1 249 497 410	1 226 217 731	1.90%	426 036 000	193.28%

4. FINANCING OF CAPITAL EXPENDITURE

The expenditure on Property, Plant and Equipment during the year amounted to R 99,592,657 (2008/2009: R 66,078,005), and in percentage terms amounts to 89,85% of budget. Full details of Property, Plant and Equipment are disclosed in note number 12 and appendices B and C to the Annual Financial Statements.

The capital expenditure of R 99,592,657 was financed as follows:

DETAILS	Actual 2009/2010 R	Budgeted 2009/2010 R	Percentage Variance %	Source of funding as % of total Cap exp
Capital Replacement Reserve	8 137 177	11 552 000	-29.56%	8.17%
External Loans	24 948 097	34 269 000	-27.20%	25.05%
Grants and Subsidies	65 194 971	65 023 000	0.26%	65.46%
Leased Assets	1 312 410	-		1.32%
	99 592 655	110 844 000	-10.15%	100.00%

5. LONG-TERM LIABILITIES

The outstanding amount of Long-term Liabilities as at 30 June was :

New loans taken up during the financial year to enable the municipality to finance part of its capital requirements.

Refer to Note number 3 and Appendix "A" for more detail.

2010 R	2009 R
173 542 502	168 165 309
20 110 799	44 579 000

KNYSNA MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2010

REPORT OF THE CHIEF FINANCIAL OFFICER

6. NON-CURRENT PROVISIONS AND NON-CURRENT EMPLOYEE BENEFITS

Non-current Provisions and Employee Benefits at 30 June are made up as follows:

	70 995 552	56 857 750
Provision for Post Retirement Benefits	53 989 710	44 249 234
Provision for Ex-Gratia Pension Benefits	458 301	429 069
Provision for Long Service Awards	7 101 526	5 466 397
Provision for Rehabilitation of Landfill-sites	3 458 716	1 010 860
Provision for Clearing of Alien Vegetation	5 987 299	5 702 190
	70 995 552	56 857 750

These provisions are made in order to enable the municipality to be in a position to fulfil its known legal obligations when they become due and payable.

Refer to Notes number 4 and 5 for more detail.

7. CURRENT LIABILITIES

Current Liabilities are made up as follows:

Consumer Deposits	Note number 6	9 103 463	8 474 945
Current Employee benefits	Note number 7	11 211 701	10 996 564
Provisions	Note number 7	3 458 716	1 010 860
Trade and other payables	Note number 8	36 761 763	26 298 878
Unspent Conditional Government Grants and Receipts	Note number 9	5 633 600	8 413 996
Taxes	Note number 11	-	-
Operating Lease Liability	Note number 21.1	1 188 177	1 022 725
Cash and Cash Equivalents	Note number 22	-	10 185 666
Current Portion of Long-term Liabilities	Note number 3	17 180 613	14 457 926
		84 538 033	80 861 559

Current Liabilities are those liabilities of the municipality due and payable in the short-term (less than 12 months). There is no known reason as to why the municipality will not be able to meet its obligations.

Refer to the indicated Note numbers for more detail.

8. INTANGIBLE ASSETS

The net value of Intangible Assets is:

88 133 **177 516**

These are assets which cannot physically be identified and verified and are all in respect of computer software.

Refer to Note number 15 for more detail.

9. PROPERTY, PLANT AND EQUIPMENT

The net value of Property, Plant and Equipment is:

872 847 967 **803 301 516**

Refer to Note number 12 and Appendices B, C and E for more detail.

10. INVESTMENTS

The municipality held Investments to the value of :

14 983 551 **13 295 235**

These investments are ring-fenced for purposes of either the security for and repayment of Long-term Liabilities or the collateral on staff housing loans, with the result that no amounts are available for own purposes.

Refer to Note number 16 for more detail.

KNYSNA MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2010

REPORT OF THE CHIEF FINANCIAL OFFICER

11. LONG-TERM RECEIVABLES

Long-term Receivables consist mainly of a loan to Vermont old age home. A provision for impairment for the specific loan was made to the value of R546085.51

1 081 523 1 791 774

Refer to Note number 17 for more detail.

12. CURRENT ASSETS

Current Assets are made up as follows:

Inventory	Note number 18	2 223 246	1 684 605
Trade Receivables from exchange transactions	Note number 19	42 933 368	39 626 141
Other Receivables from non-exchange transactions	Note number 20	19 870 072	20 134 477
Unpaid Conditional Government Grants and Receipts	Note number 9	3 571 365	7 906 385
Operating Lease Asset	Note number 21.2	2 397 856	2 167 750
Taxes	Note number 11	619 423	5 460 228
Current Portion of Long-term Receivables	Note number 17	62 931	118 433
Cash and Cash Equivalents	Note number 22	57 308 580	26 963 629
		128 986 840	104 061 648

Refer to the indicated Note numbers for more detail.

13. INTER-GOVERNMENTAL GRANTS

The municipality plays the major role in the upliftment of the poor and in sustaining and improving infrastructure for all its citizens for which it uses grants received from government and other organisations, and thus it has a big responsibility as custodian of these funds.

Refer to Notes numbers 9 and 24 as well as Appendix E for more detail.

14. EVENTS AFTER THE REPORTING DATE

Full details of all known events after the reporting date are disclosed in Note number 47

15. DISCLOSURE ISSUES

On 12 August 2011, Council and the Municipal Manager came to an amicable agreement to part ways. This is not a post-reporting date event but it may become an expenditure issue in the 2011/2012 financials and therefore can be noted.

16. EXPRESSION OF APPRECIATION

I am grateful to the Municipal Manager, Directors and Heads of Departments for the support they extended during the financial year.

The work involved in producing these financial statements just gets more detailed each year and therefore my heartfelt thanks goes to my own staff at all levels and in all departments, for their hard work and dedication.

G.S. EASTON
CHIEF FINANCIAL OFFICER
 31 August 2011

KNYSNA MUNICIPALITY**STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2011**

	Notes	2011 R	2010 R
NET ASSETS AND LIABILITIES			
Net Assets		861 757 931	765 229 708
Capital Replacement Reserve	2	5 199 523	-
Employee Benefits Reserve	2	5 242 645	-
Housing Development Fund	2	3 057 395	4 420 049
Non-Current Provisions Reserve	2	4 656 176	-
Revaluations Reserve	2	-	-
Valuation Roll Reserve	2	-	-
Accumulated Surplus/(Deficit)		843 602 192	760 809 658
Non-Current Liabilities		223 231 301	209 988 380
Long-term Liabilities	3	157 973 588	155 996 699
Employee Benefits	4	59 270 413	48 289 490
Non-Current Provisions	5	5 987 299	5 702 190
Current Liabilities		84 542 534	80 861 560
Consumer Deposits	6	9 103 463	8 474 945
Current Employee Benefits	7	11 211 701	10 996 564
Provisions	7	3 458 716	1 010 860
Payables from Exchange Transactions	8	36 761 763	26 298 878
Unspent Conditional Government Grants and Receipts	9	5 633 600	8 413 996
Unspent Public Contributions	10	4 500	-
Taxes	11	-	-
Operating Lease Liability	21.1	1 188 177	1 022 725
Cash and Cash Equivalents	22	-	10 185 666
Current Portion of Long-term Liabilities	3	17 180 613	14 457 926
Total Net Assets and Liabilities		1 169 531 767	1 056 079 647
ASSETS			
Non-Current Assets		1 040 544 927	952 017 999
Property, Plant and Equipment	12	872 847 967	803 301 516
Non-current Assets Held for Sale	13	-	19 215
Investment Property	14	152 158 000	134 762 000
Intangible Assets	15	88 133	177 516
Non-Current Investments	16	14 983 551	13 295 235
Long-Term Receivables	17	467 276	462 518
Current Assets		128 986 840	104 061 648
Inventory	18	2 223 246	1 684 605
Receivables from Exchange Transactions	19	42 933 368	39 626 141
Receivables from Non-Exchange Transactions	20	19 870 072	20 134 477
Unpaid Conditional Government Grants and Receipts	9	3 571 365	7 906 385
Operating Lease Asset	21.2	2 397 856	2 167 750
Taxes	11	619 423	5 460 228
Current Portion of Long-term Receivables	17	62 931	118 433
Cash and Cash Equivalents	22	57 308 580	26 963 629
Total Assets		1 169 531 767	1 056 079 647

KNYSNA MUNICIPALITY**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2011**

	Notes	2011 R	2010 R Restated - Note 35.08
REVENUE			
Revenue from Non-exchange Transactions		275 571 632	249 356 219
Taxation Revenue		116 791 378	108 596 693
Property taxes	23	116 791 378	108 596 693
Transfer Revenue		99 830 691	126 926 865
Government Grants and Subsidies - Capital	24	36 887 924	65 194 971
Government Grants and Subsidies - Operating	24	62 942 767	61 731 894
Other Revenue		58 949 564	13 832 660
Actuarial Gains	4	-	6 061 408
Augmentation Fees		2 386 870	2 328 304
Foreign Exchange Gain		74 959	-
Third Party Payments		616 811	429 835
Fines		2 338 273	2 124 790
Stock Adjustments		56 614	23 247
Reversal of provisions		-	708 060
Reversal of Impairment Losses		53 045 265	-
Other		430 770	2 157 015
Revenue from Exchange Transactions		225 067 372	196 479 083
Property Rates - penalties imposed and collection charges	25	2 018 900	1 925 726
Service Charges		201 905 196	175 578 648
Rental of Facilities and Equipment		4 069 244	3 971 780
Interest Earned - external investments		5 914 526	5 875 952
Interest Earned - outstanding debtors		3 872 597	3 777 443
Licences and Permits		1 719 389	1 378 720
Agency Services		1 715 677	1 688 898
Other Income	26	1 619 494	1 290 679
Gain on disposal of Property, Plant & Equipment/Investment Property		1 541 241	243 197
Unamortised discount - Interest		691 109	748 041
Total Revenue		500 639 004	445 835 302
EXPENDITURE			
Employee related costs	27	124 702 665	113 921 527
Remuneration of Councillors	28	4 588 082	4 302 404
Debt Impairment	29	17 258 761	12 107 101
Collection Cost		104 918	119 013
Depreciation and Amortisation		18 417 385	22 432 543
Impairments	30	165 761	64 347 989
Repairs and Maintenance		20 171 074	17 648 515
Actuarial losses	4	6 054 852	1 087 056
Finance Charges	31	17 193 358	16 572 366
Unamortised discount - Interest		10 410	12 254
Bulk Purchases	32	85 618 177	69 091 562
Contracted services		12 805 847	12 220 210
Grants and Subsidies Paid	33	5 842 781	5 357 472
Other Operating Grant Expenditure		37 882 997	40 944 360
General Expenses	34	52 417 119	53 337 020
Loss on Fair Value Adjustments of Land and Buildings and Investment Properties.			31 662 502
Loss on disposal of Property, Plant and Equipment/Investment Property		876 596	982
Total Expenditure		404 110 780	465 164 876
NET SURPLUS/(DEFICIT) FOR THE YEAR		96 528 224	(19 329 574)

KNYSNA MUNICIPALITY**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2011**

	Notes	2011 R	2010 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from ratepayers, government and other - Exchange Transactions		158 454 388	177 745 085
Cash receipts from ratepayers, government and other - Non-Exchange Transactions		270 128 407	221 972 644
Cash payments to suppliers and employees		(333 623 482)	(314 943 102)
Cash receipts and payments on VAT transactions		4 840 806	(6 108 662)
Cash generated/(absorbed) by operations	36	99 800 119	78 665 966
Interest Received		5 914 526	5 875 952
Interest Paid		(17 193 358)	(16 572 366)
Net Cash from Operating Activities		88 521 287	67 969 551
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment		(53 389 230)	(98 917 241)
Proceeds on Disposal of Fixed Assets		2 480 476	243 197
(Increase)/Decrease in Non-current Investments		(3 202 708)	(1 694 168)
Net Cash from Investing Activities		(54 111 462)	(100 368 212)
CASH FLOW FROM FINANCING ACTIVITIES			
New loans raised		20 110 799	15 343 187
Loans repaid		(15 328 777)	(11 807 117)
(Increase)/Decrease in Long-term Receivables		710 251	(70 243)
Increase in Consumer Deposits		628 518	291 638
Net Cash from Financing Activities		6 120 792	3 757 465
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		40 530 616	(28 641 196)
Cash and Cash Equivalents at the beginning of the year		16 777 964	45 419 158
Cash and Cash Equivalents at the end of the year	37	57 308 580	16 777 964
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		40 530 616	(28 641 196)

KNYSNA MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2011

	Employee Benefits Reserve	Non-Current Provisions Reserve	Revaluations Reserve	Housing Development Fund	Capital Replacement Reserve	Accumulated Surplus/ (Deficit)	Total
	R	R	R	R	R	R	R
Balance at 1 JULY 2009				4 402 001	-	244 496 729	248 898 729
Net Surplus/(Deficit) for the year	-	-	-	-	-	(19 329 574)	(19 329 574)
Rounding adjustment on PPE	-	-	-	-	-	-	-
Transfer to/from Funding Policy Reserves	-	-	-	-	8 137 177	(8 137 177)	-
Property, Plant and Equipment purchased	-	-	-	-	(8 137 177)	8 137 177	-
Transfer from/(to) Housing Development Fund	-	-	-	18 049	-	(18 049)	-
Balance at 30 June 2010	-	-	-	4 420 049	(0)	225 149 106	229 569 155
Correction of errors - Note 35.07	-	-	-	-	-	535 660 553	535 660 553
Restated Balance at 1 July 2010	-	-	-	4 420 049	(0)	760 809 658	765 229 708
Net Surplus/(Deficit) for the year	-	-	-	-	-	96 528 224	96 528 224
Transfer to/from Funding Policy Reserves	5 242 645	4 656 176	-	-	7 762 609	(17 661 430)	-
Revaluation of Property, Plant and Equipment	-	-	-	-	-	-	-
Property, Plant and Equipment purchased	-	-	-	-	(2 563 085)	2 563 085	-
Transfer from/(to) Housing Development Fund	-	-	-	(1 362 654)	-	1 362 654	-
Balance at 30 June 2011	5 242 645	4 656 176	-	3 057 395	5 199 523	843 602 192	861 757 931

1. ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE ANNUAL FINANCIAL STATEMENTS

1.1. BASIS OF PREPARATION

The annual financial statements have been prepared on the accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

The annual financial statements have been prepared in accordance with the effective standards of Generally Recognised Accounting Practices (GRAP), including any interpretations and directives issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

The standards are summarised as follows:

GRAP 5	Borrowing Costs
GRAP 6	Consolidated and Separate Financial Statements
GRAP 7	Investments in Associate
GRAP 8	Interests in Joint Ventures
GRAP 101	Agricultural
GRAP 102	Intangible assets
IPSAS 20	Related Party Disclosure
IFRS 3 (AC140)	Business Combinations
IFRS 4 (AC141)	Insurance Contracts
IFRS 6 (AC143)	Exploration for and Evaluation of Mineral Resources
IAS 12 (AC102)	Income Taxes
SIC – 21 (AC421)	Income Taxes – Recovery of Revaluated Non-Depreciable Assets
SIC – 25 (AC425)	Income Taxes – Changes in the Tax Status on an Entity or its Shareholders
SIC – 29 (AC429)	Service Concessions Arrangements – Disclosures
IFRIC 2 (AC435)	Members' Shares in Co-operative Entities and Similar Instruments
IFRIC 4 (AC437)	Determining whether an Arrangement contains a Lease
IFRIC 9 (AC442)	Reassessment of Embedded Derivatives
IFRIC 12 (AC445)	Service Concession Arrangements
IFRIC 13 (AC446)	Customer Loyalty Programmes
IFRIC 14 (AC447) IAS19	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
IFRIC 15 (AC448)	Agreements for the Construction of Real Estate
IFRIC 16 (AC449)	Hedges in a Net Investment in a Foreign Operation

The municipality resolved to early adopt the following GRAP standards which have been issued but are not yet effective.

Standard	Description	Effective Date
GRAP 1 (Revised)	Presentation of Financial Statements	1 April 2011
GRAP 2 (Revised)	Cash Flow Statements	1 April 2011
GRAP 3 (Revised)	Accounting Policies, Changes in Accounting Estimates and Errors	1 April 2011
GRAP 4 (Revised)	The Effects of changes in Foreign Exchange Rates	1 April 2011
GRAP 9 (Revised)	Revenue from Exchange Transactions	1 April 2011
GRAP 10 (Revised)	Financial Reporting in Hyperinflationary Economics	1 April 2011
GRAP 11 (Revised)	Construction Contracts	1 April 2011
GRAP 12 (Revised)	Inventories	1 April 2011
GRAP 13 (Revised)	Leases	1 April 2011
GRAP 14 (Revised)	Events after the reporting date	1 April 2011
GRAP 16 (Revised)	Investment Property	1 April 2011
GRAP 17 (Revised)	Property, Plant and Equipment	1 April 2011
GRAP 19 (Revised)	Provisions, Contingent Liabilities and Contingent Assets	1 April 2011
GRAP 21	Impairment of non-cash-generating assets	1 April 2012
GRAP 23	Revenue from Non-Exchange Transactions	1 April 2012
GRAP 26	Impairment of cash-generating assets	1 April 2012
GRAP 100 (Revised)	Non-current Assets held for Sale and Discontinued Operations	1 April 2011

The municipality resolved to formulate an accounting policy based on the following GRAP standards which have been issued but are not yet effective.

Standard	Description	Effective Date
GRAP 25	Employee Benefits	Unknown
GRAP 104	Financial Instruments	Unknown

Accounting policies for material transactions, events or conditions not covered by the above GRAP have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3.

A summary of the significant accounting policies, which have been consistently applied except where an exemption or transitional provision has been granted, are disclosed below.

Assets, liabilities, revenue and expenses have not been offset except when offsetting is permitted or required by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant notes to the Financial Statements.

In terms of Directive 7: "The Application of Deemed Cost on the Adoption of Standards of GRAP" issued by the Accounting Standards Board, the municipality applied deemed cost to Investment Property, Property, Plant and Equipment and Intangible Assets where the acquisition cost of an asset could not be determined.

If fair value at the measurement date cannot be determined for an item of property, plant and equipment, investment property or an intangible asset, an entity may estimate such fair value using depreciated replacement cost.

The cost for depreciated replacement cost is determined by using either one of the following:

- cost of items with a similar nature currently in the municipality's asset register;
- cost of items with a similar nature in other municipalities' asset registers, given that the other municipality has the same geographical setting as the municipality and that the other municipality's asset register is considered to be accurate;
- cost as supplied by suppliers.

1.2. PRESENTATION CURRENCY

Amounts reflected in the financial statements are in South African Rand and at actual values. No financial values are given in an abbreviated display format. No foreign exchange transactions are included in the statements.

1.3. GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on a going concern basis.

1.4. COMPARATIVE INFORMATION

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. Where material accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.5. PRESENTATION OF BUDGET INFORMATION

As noted, GRAP 24 is not yet effective, however budget information required in terms of GRAP 1 paragraph 14 to 18 have been disclosed in the financial statements. The presentation of budget information was prepared in accordance with the best practice guidelines issued by National Treasury.

1.6. MATERIALITY

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. In general, materiality is determined as 1% of total expenditure.

1.7. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

Standard	Description	Effective Date
GRAP 6 (Revised)	Consolidated and Separate Financial Statements No significant impact is expected as the municipality does not participate in such business transactions.	Unknown
GRAP 7 (Revised)	Investments in Associate No significant impact is expected as the municipality does not participate in such business transactions.	Unknown
GRAP 8 (Revised)	Interest in Joint Ventures No significant impact is expected as the municipality does not participate in such business transactions.	Unknown
GRAP 18	Segment Reporting Information to a large extent is already included in the notes to the annual financial statements.	Unknown
GRAP 24	Presentation of Budget Information in Financial Statements Information to a large extent is already included in the notes to the annual financial statements.	1 April 2012
GRAP 25	Employee Benefits Information to a large extent is already included in the notes to the annual financial statements.	Unknown
GRAP 103	Heritage Assets No adjustments necessary as the municipality has no significant heritage assets.	1 April 2012
GRAP 104	Financial Instruments Information to a large extent is already included in the notes to the annual financial statements.	Unknown
GRAP 105	Transfer of Functions Between Entities Under Common Control No significant impact is expected as the municipality does not participate in such business transactions.	Unknown
GRAP 106	Transfer of Functions Between Entities Not Under Common Control No significant impact is expected as the municipality does not participate in such business transactions.	Unknown
GRAP 107	Mergers No significant impact is expected as the municipality does not participate in such business transactions.	Unknown

These standards, amendments and interpretations will not have a significant impact on the municipality once implemented.

1.8. RESERVES

1.8.1 Capital Replacement Reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus / (deficit) to the CRR. The cash in the CRR can only be utilized to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus / (deficit) are credited by a corresponding amount when the amounts in the CRR are utilised.

1.8.2 Housing Development Fund

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from National and Provincial Government, used to finance housing selling schemes undertaken by the municipality, were extinguished on 1 April 1998 and transferred to the Housing Development Fund. Housing selling schemes, both completed and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sale of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

1.8.3 Employee Benefits Reserve

The aim of the reserve is to ensure sufficient cash resources are available for the future payment of employee benefits. Contributions equal to the short term portion of employee benefits, plus 5% of the prior year closing balance of long term employee benefits is contributed to the reserve from accumulated surplus/(deficit).

1.8.4 Non-Current Provisions Reserve

The aim of this reserve is to ensure sufficient cash resources are available for the future payment of non – current provisions.

1.8.5 Revaluations Reserve

The accounting for the Revaluation Reserve must be done in accordance with the requirements of GRAP 17.

All increases in the carrying value of assets as a result of a revaluation are credited against the reserve, except to the extent that the increase reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

All decreases in the carrying value of assets as a result of a revaluation are debited against the reserve to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

1.9. LEASES

1.9.1 Municipality as Lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease.

1.9.2 Municipality as Lessor

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease.

1.10. GOVERNMENT GRANTS AND RECEIPTS

1.10.1 Unspent Conditional Government Grants and Receipts

Conditional government grants are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent conditional grants are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants and subsidies.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the municipality until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

1.10.2 Unpaid Conditional Government Grants and Receipts

Unpaid conditional grants are assets in terms of the Framework that are separately reflected on the Statement of Financial Position. The asset is recognised when the Economic Entity has an enforceable right to receive the grant or if it is virtually certain that it will be received based on that grant conditions have been met. They represent unpaid government grants, subsidies and contributions from the public.

The following provisions are set for the creation and utilisation of the grants as receivables:

- Unpaid conditional grants are recognised as an asset when the grant is receivable.

1.11. UNSPENT PUBLIC CONTRIBUTIONS

Public contributions are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent public contributions are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent contributions from the public.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent public contributions are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the municipality until it is utilised.
- Interest earned on the investment is treated in accordance with the public contribution conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

1.12. PROVISIONS

Provisions are recognised when the municipality has a present legal or constructive obligation as a result of past events, it is possible that an outflow of resource embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is possible.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

- (a) The municipality has a detailed formal plan for the restructuring identifying at least:
- the business or part of a business concerned;
 - the principal locations affected;
 - the location, function and approximate number of employees who will be compensated for terminating their services;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented.
- (b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

The amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation at the reporting date.

Provisions shall be reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision shall be reversed.

1.13. EMPLOYEE BENEFITS

(a) *Post Retirement Medical Obligations*

The municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 70% as contribution and the remaining 30% is paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – Employee benefits (using a discount rate applicable to high quality government bonds). The plan is unfunded.

These contributions are charged to the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the fair value of the obligation. Payments made by the municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, are charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

(b) *Long Service Awards*

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the municipality. The municipality's obligation under these plans is valued by independent qualified actuaries periodically and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation. Defined benefit plans are post-employment plans other than defined contribution plans.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, are charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

(c) *Ex Gratia Gratuities*

Ex gratia gratuities are provided to employees that were not previously members of a pension fund. The municipality's obligation under these plans is valued by independent qualified actuaries and the corresponding liability is raised. Payments made by the municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation. Defined benefit plans are post-employment plans other than defined contribution plans.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, are charged or credited to the Statement of Financial Performance in the

period that it occurs. These obligations are valued periodically by independent qualified actuaries.

(d) *Accrued Leave Pay*

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year end and also on the total remuneration package of the employee.

(e) *Performance Bonuses*

A provision, in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 57 employees, is maintained. Municipal entities' performance bonus provisions are based on the employment contract stipulations as well as previous performance bonus payment trends.

(f) *Pension and Retirement Fund Obligations*

The municipality provides retirement benefits for its employees and councillors. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year they become payable. Defined benefit plans are post-employment benefit plans other than defined contribution plans. The defined benefit funds, which are administered on a provincial basis, are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. The contributions and lump sum payments are charged against income in the year they become payable. Sufficient information is not available to use defined benefit accounting for a multi-employer plan. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

1.14. BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in the Statement of Financial Performance when incurred.

1.15. PROPERTY, PLANT AND EQUIPMENT

1.15.1 *Initial Recognition*

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the assets acquired are initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

1.15.2 Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

1.15.3 Subsequent Measurement – Revaluation Model

Subsequent to initial recognition, Land and Buildings are carried at a re-valued amount, being its fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses.

An increase in the carrying amount of an asset as a result of a revaluation is credited directly to a revaluation surplus reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

A decrease in the carrying amount of an asset as a result of a revaluation is recognised in surplus or deficit, except to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

1.15.4 Depreciation and Impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual depreciation rates are based on the following estimated useful lives:

Asset Class	Asset Sub-grouping	Useful Life (Yrs)
Land	None	Indefinite
Buildings	None	100
Infrastructure	Sewerage	10 – 100
	Electricity	15 – 100
	Water	12 – 182
	Roads	12 – 102
	Security Measures	5 – 50
Community Assets	None	5 – 100
Leased Asset	None	3 – 6
Heritage	None	Indefinite
Other Assets	Bins and Containers	15
	Other	3 – 100
	Office Equipment	2 – 35
	Vehicles and Specialised Vehicles	7 – 50

Property, plant and equipment are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment charged to the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the Statement of Financial Performance.

1.15.5 De-recognition

Items of property, plant and equipment are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.15.6 Land and Buildings and Other Assets – Application of Deemed Cost (Directive 7)

The municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Land and Buildings the fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2007. For Other Assets the depreciated replacement cost method was used to establish the deemed cost as on 1 July 2007.

1.16. INTANGIBLE ASSETS

1.16.1 Initial Recognition

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset meets the identifiability criterion in the definition of an intangible asset when it:

- is separable, i.e. is capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or
- arises from contractual rights (including rights arising from binding arrangements) or other legal rights (excluding rights granted by statute), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, the deemed cost is the carrying amount of the asset(s) given up.

1.16.2 Subsequent Measurement – Cost Model

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

1.16.3 Amortisation and Impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. Amortisation of an asset begins when it is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are amortised separately. The estimated useful lives, residual values and amortisation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual amortisation rates are based on the following estimated useful lives:

<u>Intangible Assets</u>	<u>Years</u>
Computer Software	5
Computer Software Licenses	5

1.16.4 De-recognition

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.16.5 Application of deemed cost (Directive 7)

The municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Intangible Assets the depreciated replacement cost method was used to establish the deemed cost as on 1 July 2007.

1.17. INVESTMENT PROPERTY

1.17.1 Initial Recognition

Investment property shall be recognised as an asset when, and only when:

- it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the entity, and
- the cost or fair value of the investment property can be measured reliably.

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations. Property with a currently undetermined use, is also classified as investment property.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. The cost of self-constructed investment property is measured at cost.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

1.17.2 Subsequent Measurement – Fair Value Model

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gain or loss arising from a change in the fair value of the property is included in surplus or deficit for the period in which it arises.

1.17.3 De-recognition

Investment property is derecognised when it is disposed of or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.17.4 Application of deemed cost - Directive 7

The municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2007.

1.18. NON-CURRENT ASSETS HELD FOR SALE

1.18.1 Initial Recognition

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be

committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

1.18.2 Subsequent Measurement

Non-current assets held for sale (or disposal group) are measured at the lower of carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

1.19. IMPAIRMENT OF NON-FINANCIAL ASSETS

1.19.1 Cash-generating assets

Cash-generating assets are assets held with the primary objective of generating a commercial return.

The municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the municipality estimates the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the municipality estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance.

1.19.2 Non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable service amount.

An asset's recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss recorded in the Statement of Financial Performance.

The value in use of a non-cash-generating asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of the asset is determined using any one of the following approaches:

- *depreciated replacement cost approach* - the present value of the remaining service potential of an asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.
- *restoration cost approach* - the cost of restoring the service potential of an asset to its pre-impaired level. Under this approach, the present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is usually determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.
- *service unit approach* - the present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform with the reduced number of service units expected from the asset in its impaired state. As in the restoration cost approach, the current cost of replacing the remaining service potential of the asset before impairment is usually determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the Municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for an asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable service amount. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods. Such a reversal of an impairment loss is recognised in the Statement of Financial Performance.

1.20. NON CURRENT INVESTMENTS

Financial instruments, which include, investments in municipal entities and fixed deposits invested in registered commercial banks, are stated at amortised cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

The carrying amounts of such investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments.

1.21. INVENTORIES

1.21.1 Initial Recognition

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

1.21.2 Subsequent Measurement

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

In general, the basis of allocating cost to inventory items is the weighted average method.

Cost of land held for sale is assigned by using specific identification of their individual costs

1.22. FINANCIAL INSTRUMENTS

Financial instruments recognised on the Statement of Financial Position include receivables (both from exchange transactions and non-exchange transactions), cash and cash equivalents, annuity loans and payables (both from exchange transactions and non-exchange transactions).

1.22.1 Initial Recognition

Financial instruments are initially recognised when the municipality becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability

1.22.2 Subsequent Measurement

Financial Assets are categorised according to their nature as either financial assets at fair value, financial assets at amortised cost or financial assets at cost. , Financial Liabilities are categorised as either at fair value, financial liabilities at cost or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation.

1.22.2.1 Receivables

Receivables are classified as loans and receivables, and are subsequently measured at amortised cost using the effective interest rate method.

For amounts due from debtors carried at amortised cost, the Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue). If the Municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the Statement of Financial Performance.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

1.22.2.2 Payables and Annuity Loans

Financial liabilities consist of payables and annuity loans. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

1.22.2.3 Cash and Cash Equivalents

Cash includes cash on hand (including petty cash) and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, highly liquid deposits and net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets carried at amortised cost.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

1.22.3 *De-recognition of Financial Instruments*

1.22.3.1 Financial Assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or

- the municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the municipality has transferred substantially all the risks and rewards of the asset, or (b) the municipality has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, a new asset is recognised to the extent of the municipality's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the municipality could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the municipality's continuing involvement is the amount of the transferred asset that the municipality may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

1.22.3.2 Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

1.22.4 *Offsetting of Financial Instruments*

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

1.23. REVENUE

1.23.1 *Revenue from Non-Exchange Transactions*

Revenue from non-exchange transactions refers to transactions where the municipality received revenue without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis as an exchange transaction.

Fine revenue constitutes both spot fines and summonses. Revenue from spot fines and summonses is recognised based on an estimation of future collections of fines issued based on prior period trends and collection percentages.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

After a period of twelve months all unclaimed deposits into the municipality's bank account will be treated as revenue as historical patterns have indicated that minimal unidentified deposits are reclaimed after a period of twelve months. This assessment is performed annually at 30 June. Therefore the substance of these transactions indicate that even though the prescription period for unclaimed monies is legally three years, it is reasonable to recognise all unclaimed monies older than twelve months as revenue.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof is virtually certain.

Revenue is measured at the fair value of the consideration received or receivable.

When, as a result of a non-exchange transaction, a municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the present obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability will be recognised as revenue.

1.23.2 Revenue from Exchange Transactions

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered/ goods sold, the value of which approximates the consideration received or receivable.

Service charges relating to electricity and water are based on consumption and a basic charge as per Council resolution. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale. An adjustment is made at year-end for unused units.

Service charges relating to refuse removal are recognised on an annual basis in advance by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage.

Service charges from sanitation (sewerage) are recognised on an annual basis in advance by applying the approved tariff to each property that has improvements.

Interest revenue is recognised using the effective interest rate method.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

The amount of revenue arising on a transaction is usually determined by agreement between the entity and the purchaser or user of the asset or service. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the entity.

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

- The prevailing rate for a similar instrument of an issuer with a similar credit rating; or
- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction that generates revenue. When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction that generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

1.23.3 Grants, Transfers and Donations (Non-Exchange Revenue)

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

1.24. RELATED PARTIES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or if the related party entity and another entity are subject to common control.

(a) Related parties include:

- Entities that directly, or indirectly through one or more intermediaries, control, or are controlled by the reporting entity;
- Individuals owning, directly or indirectly, an interest in the reporting entity that gives them significant influence over the entity, and close members of the family of any such individual;
- Key management personnel, and close members of the family of key management personnel; and
- Entities in which a substantial ownership interest is held, directly or indirectly, by any person described in the 2nd and 3rd bullet, or over which such a person is able to exercise significant influence.

(b) Key management personnel include:

- All directors or members of the governing body of the entity, being the Executive Mayor, Deputy Mayor, Speaker and members of the Mayoral Committee.
- Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting entity being the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

1.25. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted or is expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state, or is expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.25. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.23. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.27. CONTINGENT LIABILITIES

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. A contingent liability could also be a present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Management judgement is required when recognising and measuring contingent liabilities.

1.28. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the municipality's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

Post Retirement Medical Obligations, Long Service Awards and Ex Gratia Gratuities

The cost of post retirement medical obligations, long service awards and ex-gratia gratuities are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

Impairment of Receivables

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

Property, Plant and Equipment

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure's useful lives are based on technical estimates of the practical useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

For deemed cost applied to other assets as per adoption of Directive 7, management used the depreciated replacement cost method which was based on assumptions about the remaining duration of the assets.

For deemed cost applied to land and buildings as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

Intangible Assets

The useful lives of intangible assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate.

For deemed cost applied to intangible assets as per adoption of Directive 7, management used the depreciated replacement cost method which was based on assumptions about the remaining duration of the assets.

Investment Property

The useful lives of investment property are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their economic lives, and in what condition they will be at that time.

For deemed cost applied to Investment Property as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

Provisions and Contingent liabilities

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the effect of discounting is material using actuarial valuations.

Revenue Recognition

Accounting Policy 1.23.1 on Revenue from Non-Exchange Transactions and Accounting Policy 1.23.2 on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions.). Specifically, whether the municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been performed. Revenue from the issuing of spot fines and summonses has been recognised on the accrual basis using estimates of future collections based on the actual results of prior periods. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

Provision for Landfill Sites

The provision for rehabilitation of the landfill site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the net present value of the expected future cash flows to rehabilitate the landfill site at year end. To the extent that the obligations relate to an asset, it is capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset is charged to the Statement of Financial Performance.

Provision for Clearing of Alien Vegetation

The municipality has an obligation to clear alien vegetation. The provision represents the present cost to clear the alien vegetation. This was based on the current clearing cost per hectare and the total size of the land to be cleared. Assessment of the clearing costs is based on quotations from suppliers and is made every second year and adjusted for inflationary in the alternate years.

Provision for Task Implementation and Back Pay

The provision at 30 June 2010 for Task Implementation represents the municipality's obligation towards qualifying officials as a result of a new national grading system for municipalities which came into effect on 1 October 2009. The calculation was based on the difference between the current basic salary compared to the basic salary as per new TASK grading. The difference between these two packages was backdated to the implementation date of the TASK grading system.

The provision at 30 June 2011 for Back Pay represents the municipality's obligation towards Section 57 Directors as a result of an amendment in their employment contracts. The calculation was based actual remuneration paid versus the requirements of the amended packages.

Provision for Performance bonuses

The provision for performance bonuses represents the best estimate of the obligation at year end and is based on historic patterns of payment of performance bonuses. Performance bonuses are subject to an evaluation by council.

Provision for Staff leave

Staff leave is accrued to employees according to collective agreements. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave. There is no possibility of reimbursement.

Pre-paid electricity estimation

Pre-paid electricity is only recognised as income once the electricity is consumed. The pre-paid electricity balance (included under payables) represents the best estimate of electricity sold at year end, that is still unused. The average pre-paid electricity sold per day during the year under review is used and the estimate is calculated using between 5 and 10 days worth of unused electricity.

Componentisation of infrastructure assets

All infrastructure assets are unbundled into their significant components in order to depreciate all major components over the expected useful lives. The cost of each component is estimated based on the current market price of each component, depreciated for age and condition and recalculated to cost at the acquisition date if known or to the date of initially adopting the standards of GRAP.

1.29. TAXES – VALUE ADDED TAX

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

1.30. AMENDED DISCLOSURE POLICY

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements. The principal amendments to matters disclosed in the current financial statements include fundamental errors, and the treatment of assets financed by external grants.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
2 NET ASSET RESERVES		
RESERVES	18 155 740	4 420 049
Capital Replacement Reserve	5 199 523	-
Employee Benefits Reserve	5 242 645	-
Housing Development Fund	3 057 395	4 420 049
Non-Current Provisions Reserve	4 656 176	-
Total Net Asset Reserve and Liabilities	18 155 740	4 420 049

	2011 R	2010 R
3 LONG TERM LIABILITIES		
Annuity Loans - At amortised cost	166 300 462	161 804 631
Local Registered Stock	3 033 002	3 033 002
Capitalised Lease Liability - At amortised cost	4 209 038	3 327 676
Balance previously reported	-	3 156 050
Finance lease previously not recognised - Note 35.02	-	171 627
	173 542 502	168 165 309
Less: Current Portion transferred to Current Liabilities	(17 180 613)	(14 457 926)
Annuity Loans - At amortised cost	(15 189 735)	(13 413 523)
Capitalised Lease Liability - At amortised cost	(1 990 878)	(1 044 403)
	156 361 889	153 707 383
Plus: Unamortised charges on loans	1 611 699	2 289 316
Balance at beginning of year	2 289 316	3 021 738
Adjustment for the period	(677 617)	(732 422)
Total Long-term Liabilities - At amortised cost using the effective interest rate method	157 973 588	155 996 699

The obligations under annuity loans are scheduled below:

Amounts payable under annuity loans:

		Minimum annuity payments
Payable within one year	31 626 699	29 905 415
Payable within two to five years	104 389 211	104 712 707
Payable after five years	151 359 946	156 567 372
	287 375 856	291 185 494
Less: Future finance obligations	(121 075 393)	(129 380 863)
Present value of annuity obligations	166 300 462	161 804 631

The obligations under stock loans are scheduled below:

Amounts payable under stock loans:

		Minimum stock loan payments
Payable within one year	496 606	496 606
Payable within two to five years	3 359 593	3 739 319
Payable after five years	1 002 722	1 119 603
	4 858 922	5 355 528
Less: Future finance obligations	(1 825 919)	(2 322 526)
Present value of stock loan obligations	3 033 003	3 033 002

The obligations under finance leases are scheduled below:

Amounts payable under finance leases:

		Minimum lease payments
Payable within one year	2 278 178	1 437 399
Payable within two to five years	2 494 974	2 573 484
Payable after five years	-	-
	4 773 152	4 010 882
Less: Future finance obligations	(564 114)	(683 206)
Present value of lease obligations	4 209 038	3 327 676

Refer to Appendix A for descriptions, maturity dates and effective interest rates of structured loans and finance leases.

Leases are secured by property, plant and equipment - Note 12

LOCAL REGISTERED STOCK

Bear interest at rates between 16% and 17% per annum and are repayable over periods of between five and ten years.

ANNUITY LOANS

Bear interest at rates between 0% and 14% per annum. Fixed Deposits of R 14,966,107 (2010: R 13,277,790) and Term Deposit of R7,376,373 (2010: R 6,947,323) have been pledged to DBSA as guarantees on external loans taken up. (See notes 17 and 23)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
4 EMPLOYEE BENEFITS		
Post Retirement Benefits - Refer to Note 4.1	52 394 826	42 865 838
Provision for Ex-Gratia Pension Benefits - Refer to Note 4.2	435 212	376 919
Long Service Awards - Refer to Note 4.3	6 440 375	5 046 733
Total Non-current Employee Benefit Liabilities	59 270 413	48 289 490
<u>Post Retirement Medical Benefits</u>		
Balance at beginning of year	44 249 234	44 727 097
Contribution for the year	6 119 223	6 759 201
Expenditure for the year	(1 563 002)	(1 383 087)
Actuarial Loss/(Gain)	5 184 255	(5 853 977)
Total post retirement benefits 30 June	53 989 710	44 249 234
Less: Transfer of Current Portion to Current Employee Benefits - Note 7	(1 594 884)	(1 383 396)
Balance at end of year	52 394 826	42 865 838
<u>Ex-Gratia Pensions</u>		
Balance at beginning of year	429 069	613 868
Contribution for the year	34 133	65 112
Expenditure for the year	(42 480)	(42 480)
Actuarial Loss/(Gain)	37 579	(207 431)
Total provision 30 June	458 301	429 069
Less: Transfer of Current Portion to Current Employee Benefits - Note 7	(23 089)	(52 150)
Balance at end of year	435 212	376 919
<u>Long Service Awards</u>		
Balance at beginning of year	5 466 397	3 962 940
Contribution for the year	1 129 299	792 940
Expenditure for the year	(327 188)	(376 539)
Actuarial Loss/(Gain)	833 018	1 087 056
Total long service 30 June	7 101 526	5 466 397
Less: Transfer of Current Portion to Current Employee Benefits - Note 7	(661 151)	(419 664)
Balance at end of year	6 440 375	5 046 733
<u>TOTAL NON-CURRENT EMPLOYEE BENEFITS</u>		
Balance at beginning of year	50 144 700	49 303 905
Contribution for the year	7 282 655	7 617 253
Expenditure for the year	(1 932 670)	(1 802 105)
Actuarial Loss/(Gain)	6 054 852	(4 974 353)
Total employee benefits 30 June	61 549 537	50 144 700
Less: Transfer of Current Portion to Current Employee Benefits - Note 7	(2 279 124)	(1 855 210)
Balance at end of year	59 270 413	48 289 490

4.1 Post Retirement Benefits

The Post Retirement Benefit Plan is a defined benefit plan, of which the members are made up as

In-service (employee) members	638	600
Continuation members (e.g. Retirees, widows, orphans)	60	60
Total Members	698	660

The liability in respect of past service has been estimated to be as follows:

In-service members	28 850 351	23 175 455
Continuation members	25 139 359	21 073 779
Total Liability	53 989 710	44 249 234

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	2009 R	2008 R	2007 R
Members	44 727 097	39 936 000	33 685 000
Total Liability	44 727 097	39 936 000	33 685 000

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

Bonitas;
LA Health
Hosmed
SAMWU Medical Aid; and
Key health.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

4 EMPLOYEE BENEFITS (CONTINUED)

The Future-service Cost for the ensuing year is estimated to be R2 594 000, whereas the Interest- Cost for the next year is estimated to be R4 638 300.

Key actuarial assumptions used:	2011 %	2010 %
i) Rate of interest		
Discount rate	8.72%	9.22%
Health Care Cost Inflation Rate	7.30%	7.27%
Net Effective Discount Rate	1.32%	1.82%
ii) Mortality rates		
The PA 90 ultimate table, rated down by 1 year of age was used by the actuaries.		
iii) Normal retirement age		
It has been assumed that in-service members will retire at age 63, which then implicitly allows for expected rates of early and ill-health retirement.		

	2011 R	2010 R
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	53 989 710	44 249 234
Net liability/(asset)	53 989 710	44 249 234
Reconciliation of present value of fund obligation:		
Present value of fund obligation at the beginning of the year	44 249 234	44 727 097
Total expenses	4 556 222	5 376 114
Current service cost	2 101 696	2 043 107
Interest Cost	4 017 527	4 716 094
Benefits Paid	(1 563 002)	(1 383 087)
Actuarial (gains)/losses	5 184 255	(5 853 977)
Present value of fund obligation at the end of the year	53 989 710	44 249 234
Less: Transfer of Current Portion to Current Employee Benefits - Note 7	(1 594 884)	(1 383 396)
Balance at end of year	52 394 826	42 865 838

Sensitivity Analysis on the Accrued Liability

Assumption	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)	% change
Central Assumptions	28.850	25.139	53.989	
The effect of movements in the assumptions are as follows:				
Health care inflation 1%	35.773	28.116	63.889	18%
Health care inflation -1%	23.482	22.585	46.067	-15%
Post-retirement mortality -1 year	29.820	26.043	55.863	3%
Average retirement age -1 year	31.369	25.139	56.508	5%
Withdrawal Rate -50%	32.425	25.139	57.564	7%

4.2 Provision for Ex-Gratia Pension Benefits

The Ex-Gratia plans are defined benefit plans. As at year end, 7 (2010 = 7) employees were eligible for Ex-Gratia payments.

There is no Future-service Costs as there are no current in-service members eligible for ex-gratia payments, whereas the Interest cost for the next year is estimated to be R32 882.

Key actuarial assumptions used:	2011 %	2010 %
i) Rate of interest		
Discount rate	7.63%	9.11%
General increase rate	5.32%	6.44%
Net Effective Discount Rate (increasing pensions)	2.20%	2.51%
Net Effective Discount Rate (level pensions)	7.63%	9.11%

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

4

EMPLOYEE BENEFITS (CONTINUED)

2011
R2010
R

The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	458 301	429 069
Net liability/(asset)	458 301	429 069

Reconciliation of present value of fund obligation:

Present value of fund obligation at the beginning of the year	429 069	613 868
Total expenses	(8 347)	22 632
Current service cost	-	-
Interest Cost	34 133	65 112
Benefits Paid	(42 480)	(42 480)
Actuarial (gains)/losses	37 579	(207 431)
Present value of fund obligation at the end of the year	458 301	429 069
Less: Transfer of Current Portion to Current Employee Benefits - Note 7	(23 089)	(52 150)
Balance at end of year	435 212	376 919

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	2009 R	2008 R	2007 R
Members	613 868	620 565	582 336
Total Liability	613 868	620 565	582 336

Sensitivity Analysis on the Unfunded Accrued Liability

Assumption	Change	Liability (R)	% change
Central assumptions		458 301	
Pension increase rate	1%	493 879	8%
Pension increase rate	-1%	427 098	-7%
Post retirement mortality	1 Yrs	478 469	-4%

4.3 Long Service Awards

The Long Service Awards plans are defined benefit plans. As at year end, 627 (2010 = 600) employees were eligible for Long Service Awards.

The Future-service Cost for the ensuing year is estimated to be R904 375, whereas the Interest cost for the next year is estimated to be R532 095.

Key actuarial assumptions used:

i) Rate of interest

	2011 %	2010 %
Discount rate	7.85%	9.11%
General Salary Inflation (long-term)	6.28%	6.44%
Net Effective Discount Rate applied to salary-related Long Service Awards	1.48%	2.51%

The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	7 101 526	5 466 397
Net liability/(asset)	7 101 526	5 466 397

Reconciliation of present value of fund obligation:

Present value of fund obligation at the beginning of the year	5 466 397	3 962 940
Total expenses	802 111	416 401
Current service cost	649 870	383 551
Interest Cost	479 429	409 389
Benefits Paid	(327 188)	(376 539)
Actuarial (gains)/losses	833 018	1 087 056
Present value of fund obligation at the end of the year	7 101 526	5 466 397
Less: Transfer of Current Portion to Current Employee Benefits - Note 7	(661 151)	(419 664)
Balance at end of year	6 440 375	5 046 733

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	2009 R m	2008 R m	2007 R m
Members	3.963	3.683	3.168
Total Liability	3.963	3.683	3.168

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

4	EMPLOYEE BENEFITS (CONTINUED)	2011 R	2010 R
	Sensitivity Analysis on the Unfunded Accrued Liability		
	Assumption	Liability (Rm)	% change
	Central assumptions	7.102	
	General salary inflation	1%	8%
	General salary inflation	-1%	-7%
	Average retirement age	- 2 Yrs	-11%
	Average retirement age	+ 2 Yrs	11%
	Withdrawal rates	-50%	21%
5	NON-CURRENT PROVISIONS	2011 R	2010 R
	Provision for Rehabilitation of Landfill-sites	-	-
	Provision for Clearing of Alien Vegetation	5 987 299	5 702 190
	Total Non-current Provision Liabilities	5 987 299	5 702 190
	Landfill Sites		
	Balance at beginning of year	1 010 860	1 010 860
	Contribution for the year	2 642 481	-
	Expenditure for the year	(194 625)	-
	Total provision 30 June	3 458 716	1 010 860
	Less: Transfer of Current Portion to Current Provisions - Note 7	(3 458 716)	(1 010 860)
	Balance at end of year	-	-
	Clearing of Alien Vegetation		
	Balance at beginning of year	5 702 190	6 410 250
	Contribution for the year	989 883	(708 060)
	Expenditure for the year	(704 773)	-
	Balance at end of year	5 987 299	5 702 190
	It is expected that the rehabilitation costs of Landfill Sites be incurred in the ensuing financial year, while there is no definite commitment on expenditure for the clearing of backlog alien vegetation.		
6	CONSUMER DEPOSITS	2011 R	2010 R
	Electricity	5 773 652	5 287 593
	Water	3 329 811	3 187 351
	Total Consumer Deposits	9 103 463	8 474 945
	Guarantees held in lieu of Electricity and Water Deposits	901 175	1 057 938
	The fair value of consumer deposits approximate their carrying value. Interest is not paid on these amounts.		
7	CURRENT EMPLOYEE BENEFITS	2011 R	2010 R
	Current Portion of Post Retirement Benefits - Note 4	1 594 884	1 383 396
	Current Portion of Ex-Gratia Pension Provisions - Note 4	23 089	52 150
	Current Portion of Long-Service Provisions - Note 4	661 151	419 664
	Performance Bonuses	580 803	840 470
	Staff Leave	6 452 323	5 907 136
	Pension Fund Investment Return Shortfall	1 664 780	1 664 780
	TASK / Backpay Implementation	234 671	728 968
	Total Current Employee Benefits	11 211 701	10 996 564
	The movement in current employee benefits are reconciled as follows:		
	Performance Bonuses		
	Balance at beginning of year	840 470	754 488
	Contribution to current portion	249 319	505 434
	Expenditure incurred	(508 986)	(419 451)
	Balance at end of year	580 803	840 470
	Performance bonuses are being paid to the Municipal Manager and Section 57 Directors after an evaluation of performance by the council. There is no possibility of reimbursement.		

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

		2011 R	2010 R
7	CURRENT EMPLOYEE BENEFITS (CONTINUED)		
	<u>Staff Leave</u>		
	Balance at beginning of year	5 907 136	5 303 174
	Contribution to current portion	1 264 022	1 008 345
	Expenditure incurred	(718 835)	(404 383)
	Balance at end of year	6 452 323	5 907 136
	Staff leave accrues to employees according to a collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave or resign. There is no possibility of reimbursement.		
	<u>Pension Fund Investment Return Shortfall</u>		
	Balance at beginning of year	1 664 780	-
	Contribution to current portion	-	1 664 780
	Expenditure incurred	-	-
	Balance at end of year	1 664 780	1 664 780
	The Cape Joint Pension Fund's rules determine that the employer must contribute any shortfall if investment revenue does not realise 5%. The fund indicated that the municipality's share of the shortfall must be paid within 1 financial year.		
	<u>Task / Backpay Implementation</u>		
	Balance at beginning of year	728 968	-
	Contribution to current portion	449 633	728 968
	Expenditure incurred	(943 930)	-
	Balance at end of year	234 671	728 968
	An agreement was reached on the implementation of a national salary grading structure with backpay to be paid in the 2010/2011 financial year for 9 months of the 2009/2010 financial year. There is no possibility of reimbursement.		
7	PROVISIONS	2011 R	2010 R
	Current Portion of Rehabilitation of Landfill-sites - Note 5	3 458 716	1 010 860
	Total Provisions	3 458 716	1 010 860
8	PAYABLES FROM EXCHANGE TRANSACTIONS	2011 R	2010 R
	Trade payables	21 808 195	11 515 020
	Payments received in advance	4 675 262	4 578 427
	Retentions	5 653 095	5 792 263
	Hoarding fees	2 383 335	1 803 829
	Other payables	1 847 312	2 248 145
	Deposits: Other	394 563	361 194
	Total Trade Payables	36 761 763	26 298 878
	Payables are being paid within 30 days as prescribed by the MFMA. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other payables on initial recognition is not deemed necessary.		
	Other deposits include Hall, Builders and Housing Deposits.		
9	UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS	2011 R	2010 R
	Unspent Grants	5 633 600	8 413 996
	National Government Grants	3 915 997	5 902 934
	Provincial Government Grants	838 624	1 053 801
	Other Sources	878 980	1 457 261
	Less: Unpaid Grants	3 571 365	7 906 385
	National Government Grants	3 042 152	5 315 156
	Provincial Government Grants	430 526	2 159 208
	Other Sources	98 688	432 021
	Total Conditional Grants and Receipts	2 062 235	507 611
	Refer to Note 24 for more information		
	See also appendix "E" for a reconciliation of grants from other sources. The Unspent Grants are cash-backed by term deposits. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.		

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

10	UNSPENT PUBLIC CONTRIBUTIONS	2011 R	2010 R
	Unspent Grants	4 500	-
	Roads-Welbedacht	4 500	
	Total Conditional Grants and Receipts	4 500	-

The Unspent Grants are cash-backed. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised.

11	TAXES	2011 R	2010 R
	VAT Payable	-	-
	VAT Receivable	619 423	5 460 228
		619 423	5 460 228

VAT is payable on the receipts basis. Only once payment is received from debtors is VAT paid over to SARS.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

12 PROPERTY, PLANT AND EQUIPMENT

30 JUNE 2011

Reconciliation of Carrying Value

Reconciliation of Carrying Value	Cost					Accumulated Depreciation and Impairments					Carrying Value	
	B/F		Work-in-Progress	Disposals	Closing Balance	B/F		Disposals	Closing Balance			
	Opening Balance	Adjustments				Opening Balance	Adjustments					
	R		R		R	R	R		R		R	
Land and Buildings	158 513 564	-	-	177 022	-	158 690 586	39 783 565	-	(31 790 924)	-	7 803 122	150 887 465
Buildings	27 423 564			177 022		27 600 586	6 826 565		(2 199 443)		4 627 122	22 973 465
Land	131 090 000			-		131 090 000	32 957 000		(29 781 000)		3 176 000	127 914 000
Infrastructure	523 446 199	-	13 011 397	30 227 383	290	566 684 689	40 401 240	-	14 439 221	289	54 840 172	511 844 516
Sewerage	61 131 244		22 546 324	7 704 828		91 382 397	4 725 517		1 416 065		6 141 582	85 240 815
Electricity	172 528 396		7 948 611	6 766 309		187 243 317	8 312 587		4 599 092		12 911 680	174 331 637
Water	175 463 886		(19 016 062)	11 664 177		168 112 002	9 959 907		3 253 810		13 213 716	154 898 285
Road	107 097 747		1 297 686	3 620 784	290	112 015 928	16 917 663		4 907 301	289	21 824 675	90 191 253
Security Measures	7 224 926		234 837	471 283		7 931 045	485 566		262 953		748 519	7 182 526
Community Assets	208 094 258		17 871	121 394	-	208 233 523	53 208 269		-2 818 004	-	50 390 265	157 843 258
Lease Assets	5 715 481	-	2 902 001	-	-	8 617 482	2 947 817	-	1 399 394	-	4 347 211	4 270 271
Office Equipment	5 715 481		2 902 001			8 617 482	2 947 817		1 399 394		4 347 211	4 270 271
Heritage Assets	1 963 548			-	-	1 963 548	406 500		-154 452	-	252 048	1 711 500
Other Assets	65 550 468	-	7 308 509	-	9 565 587	82 424 564	23 234 612	-	4 180 229	9 006 961	36 133 607	46 290 957
Bins & Containers	949 248	-	119 187	-	-	1 068 435	174 047				174 047	894 389
Bulk Containers	949 248		119 187			1 068 435	174 047				174 047	894 389
Other Assets	19 618 892			-		24 892 118	8 815 308				14 751 506	10 140 613
Tip Sites	941 489		291 951			1 233 441	423 183		7 953		431 136	802 304
In & Outdoor Sport Facilities	72 419					72 419	33 141		977 448		1 010 589	(938 170)
Other Plant & Equipment	17 406 259		296 810		4 019 261	21 722 330	7 486 657		496 759	3 978 221	11 961 638	9 760 692
Laboratory Equipment	90 673		192 670		42	283 385	54 442			40	54 482	228 904
Equipment Fire	150 894		421		20 847	172 162	41 806		4 306	20 819	66 930	105 232
Lawnmowers	266 304				102 337	368 640	224 378			102 327	326 704	41 936
Radio Equipment	690 854				348 888	1 039 742	551 702			348 325	900 027	139 714
Office Equipment	15 471 579	-	1 608 055	-	4 085 262	21 164 897	7 577 970				12 652 609	8 512 288
Air Conditioners	1 034 892		31 092			1 065 984	406 680		51 850		458 530	607 454
Computer Hardware	8 329 312		1 065 399		2 546 356	11 941 068	6 412 193		839 032	2 530 785	9 782 009	2 159 059
Office Machines	1 240 626		93 697		552 615	1 886 938	(3 065 011)		117 879	513 260	(2 433 872)	4 320 810
Cabinets & Cupboards	4 682 739		417 867		986 291	6 086 897	3 643 557		2 954	10 218	3 656 728	2 430 169
Other Furniture	184 010					184 010	180 552			1 008 662	1 189 214	(1 005 203)
Vehicles	29 510 748	-	4 799 415	-	988 951	35 299 114	6 667 287		288 195		8 555 446	26 743 668
Motor Vehicles	2 213 708					2 213 708	637 041		1 301 401		1 938 442	275 265
Trucks & LDVs	20 004 511		4 763 515		978 863	25 746 889	1 557 493		51 435	492 852	2 101 780	23 645 108
Motor Cycles	350 897					350 897	283 061				283 061	67 835
Motor Cars	1 283 126					1 283 126	901 412				901 412	381 714
Tractors	1 881 491					1 881 491	1 160 489				1 160 489	721 001
Trailers	1 592 850		35 900		10 088	1 638 838	1 251 422		41 017	1 452	1 293 892	344 946
Graders	2 184 167					2 184 167	876 369				876 369	1 307 798
	963 283 519	-	23 239 778	30 525 798	9 565 877	1 026 614 392	159 982 003	-	-14 744 536	9 007 249	153 766 425	872 847 967

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

12 PROPERTY, PLANT AND EQUIPMENT

30 JUNE 2010

Reconciliation of Carrying Value

Reconciliation of Carrying Value	Cost						Accumulated Depreciation and Impairments					Carrying Value
	Opening Balance	B/F	Additions	Work-in-Progress	Disposals	Closing Balance	Opening Balance	B/F	Additions	Disposals	Closing Balance	
	R	Adjustments					R	R				
Land and Buildings	178 015 697	-19 542 154	40 021	-	-	158 513 564	23 331 408	-11 908 653	28 360 810	-	39 783 565	118 729 999
Buildings	160 008 795	(132 625 252)	40 021	-	-	27 423 564	23 331 408	(21 940 153)	5 435 310	-	6 826 565	20 596 999
Land	18 006 902	113 083 098	-	-	-	131 090 000	-	10 031 500	22 925 500	-	32 957 000	98 133 000
Infrastructure	375 024 879	45 725 795	63 456 824	39 238 702	-	523 446 199	151 831 822	-127 634 785	16 204 202	-	40 401 240	483 044 959
Sewerage	50 564 320	8 052 321	2 514 603	-	-	61 131 244	19 583 314	(16 454 908)	1 597 111	-	4 725 517	56 405 727
Electricity	104 912 412	49 679 406	16 018 398	1 918 180	-	172 528 396	35 301 950	(31 731 296)	4 741 933	-	8 312 587	164 215 809
Water	123 047 478	(10 215 512)	25 455 608	37 176 312	-	175 463 886	43 327 111	(37 091 687)	3 724 483	-	9 959 907	165 503 980
Road	93 589 234	(4 634 498)	17 998 801	144 210	-	107 097 747	52 165 579	(41 190 773)	5 942 857	-	16 917 663	90 180 084
Security Measures	2 911 435	2 844 077	1 469 414	-	-	7 224 926	1 453 868	(1 166 120)	197 818	-	485 566	6 739 360
Community Assets	22 943 292	184 300 012	600 834	250 121	-	208 094 258	7 106 821 15 836 471	9 311 386	36 790 063	-	53 208 269	154 885 989
Lease Assets	5 292 635	-946 900	1 502 746	-	(133 000)	5 715 481	3 022 751	-944 347	1 001 430	132 017	2 947 817	2 767 664
Office Equipment	5 292 635	(946 900)	1 502 746	-	(133 000)	5 715 481	3 022 751	(944 347)	1 001 430	132 017	2 947 817	2 767 664
Heritage Assets	742 562	1 206 736	14 250	-	-	1 963 548	148 399	-25 399	283 500	-	406 500	1 557 048
Other Assets	61 156 298	838 058	3 468 369	-	87 743	65 550 468	35 945 961	-16 762 495	4 003 260	47 886	23 234 612	42 315 856
Bins & Containers	397 578	-	551 670	-	-	949 248	324 599	(194 344)	43 792	-	174 047	775 202
Other Assets	15 515 819	3 541 132	529 355	-	32 586	19 618 892	10 001 153	(2 728 429)	1 525 781	16 803	8 815 308	10 803 584
Office Equipment	13 679 135	39 052	1 702 007	-	51 385	15 471 579	10 241 181	(3 852 011)	1 157 717	31 083	7 577 970	7 893 609
Vehicles	31 563 765	(2 742 126)	685 337	-	3 772	29 510 748	15 379 028	(9 987 711)	1 275 970	-	6 667 287	22 843 461
	643 175 362	211 581 547	69 083 044	39 488 823	-45 257	963 283 519	221 387 163	-147 964 293	86 643 264	179 903	159 982 003	803 301 516

12 PROPERTY, PLANT AND EQUIPMENT

GRAP 17 - Property, Plant and Equipment

The municipality utilised the transitional provisions provided for in Directive 4, issued by the Accounting Standards Board, for the prior periods. The municipality is classified by the National Treasury as a medium capacity municipality and as a consequence the municipality must comply with all the GRAP Standards applicable at the reporting date.

Since the previous reporting date the following Property, Plant and Equipment were measured in accordance with GRAP 17 and restated retrospectively:

Changes to Cost / Fair Value
 Changes to Accumulated Depreciation
 Total not previously recognised now restated retrospectively

2011	2010
	211 581 547
	147 964 293
	<u><u>- 359 545 840</u></u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

12 PROPERTY, PLANT AND EQUIPMENT

30 JUNE 2011

Reconciliation of Carrying Value

Reconciliation of Carrying Value	Cost					Accumulated Depreciation and Impairments					Carrying Value	
	B/F		Work-in-Progress	Disposals	Closing Balance	B/F		Disposals	Closing Balance			
	Opening Balance	Adjustments				Opening Balance	Adjustments					
	R		R		R		R		R		R	
Land and Buildings	158 513 564	-	-	177 022	-	158 690 586	39 783 565	-	(31 790 924)	-	7 803 122	150 887 465
Buildings	27 423 564			177 022		27 600 586	6 826 565		(2 199 443)		4 627 122	22 973 465
Land	131 090 000			-		131 090 000	32 957 000		(29 781 000)		3 176 000	127 914 000
Infrastructure	523 446 199	-	13 011 397	30 227 383	290	566 684 689	40 401 240	-	14 439 221	289	54 840 172	511 844 516
Sewerage	61 131 244		22 546 324	7 704 828		91 382 397	4 725 517		1 416 065		6 141 582	85 240 815
Electricity	172 528 396		7 948 611	6 766 309		187 243 317	8 312 587		4 599 092		12 911 680	174 331 637
Water	175 463 886		(19 016 062)	11 664 177		168 112 002	9 959 907		3 253 810		13 213 716	154 898 285
Road	107 097 747		1 297 686	3 620 784	290	112 015 928	16 917 663		4 907 301	289	21 824 675	90 191 253
Security Measures	7 224 926		234 837	471 283		7 931 045	485 566		262 953		748 519	7 182 526
Community Assets	208 094 258		17 871	121 394	-	208 233 523	53 208 269		-2 818 004	-	50 390 265	157 843 258
Lease Assets	5 715 481	-	2 902 001	-	-	8 617 482	2 947 817	-	1 399 394	-	4 347 211	4 270 271
Office Equipment	5 715 481		2 902 001			8 617 482	2 947 817		1 399 394		4 347 211	4 270 271
Heritage Assets	1 963 548			-	-	1 963 548	406 500		-154 452	-	252 048	1 711 500
Other Assets	65 550 468	-	7 308 509	-	9 565 587	82 424 564	23 234 612	-	4 180 229	9 006 961	36 133 607	46 290 957
Bins & Containers	949 248	-	119 187	-	-	1 068 435	174 047				174 047	894 389
Bulk Containers	949 248		119 187			1 068 435	174 047				174 047	894 389
Other Assets	19 618 892			-		24 892 118	8 815 308				14 751 506	10 140 613
Tip Sites	941 489		291 951			1 233 441	423 183		7 953		431 136	802 304
In & Outdoor Sport Facilities	72 419					72 419	33 141		977 448		1 010 589	(938 170)
Other Plant & Equipment	17 406 259		296 810		4 019 261	21 722 330	7 486 657		496 759	3 978 221	11 961 638	9 760 692
Laboratory Equipment	90 673		192 670		42	283 385	54 442			40	54 482	228 904
Equipment Fire	150 894		421		20 847	172 162	41 806		4 306	20 819	66 930	105 232
Lawnmowers	266 304				102 337	368 640	224 378			102 327	326 704	41 936
Radio Equipment	690 854				348 888	1 039 742	551 702			348 325	900 027	139 714
Office Equipment	15 471 579	-	1 608 055	-	4 085 262	21 164 897	7 577 970				12 652 609	8 512 288
Air Conditioners	1 034 892		31 092			1 065 984	406 680		51 850		458 530	607 454
Computer Hardware	8 329 312		1 065 399		2 546 356	11 941 068	6 412 193		839 032	2 530 785	9 782 009	2 159 059
Office Machines	1 240 626		93 697		552 615	1 886 938	(3 065 011)		117 879	513 260	(2 433 872)	4 320 810
Cabinets & Cupboards	4 682 739		417 867		986 291	6 086 897	3 643 557		2 954	10 218	3 656 728	2 430 169
Other Furniture	184 010					184 010	180 552			1 008 662	1 189 214	(1 005 203)
Vehicles	29 510 748	-	4 799 415	-	988 951	35 299 114	6 667 287		288 195		8 555 446	26 743 668
Motor Vehicles	2 213 708					2 213 708	637 041		1 301 401		1 938 442	275 265
Trucks & LDVs	20 004 511		4 763 515		978 863	25 746 889	1 557 493		51 435	492 852	2 101 780	23 645 108
Motor Cycles	350 897					350 897	283 061				283 061	67 835
Motor Cars	1 283 126					1 283 126	901 412				901 412	381 714
Tractors	1 881 491					1 881 491	1 160 489				1 160 489	721 001
Trailers	1 592 850		35 900		10 088	1 638 838	1 251 422		41 017	1 452	1 293 892	344 946
Graders	2 184 167					2 184 167	876 369				876 369	1 307 798
	963 283 519	-	23 239 778	30 525 798	9 565 877	1 026 614 392	159 982 003	-	-14 744 536	9 007 249	153 766 425	872 847 967

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

12 PROPERTY, PLANT AND EQUIPMENT

30 JUNE 2010

Reconciliation of Carrying Value

Reconciliation of Carrying Value	Cost					Accumulated Depreciation and Impairments					Carrying Value	
	B/F		Additions	Work-in-Progress	Disposals	Closing Balance	B/F		Disposals	Closing Balance		
	Opening Balance	Adjustments					Opening Balance	Adjustments				
	R		R		R	R	R		R	R	R	R
Land and Buildings	178 015 697	-19 542 154	40 021	-	-	158 513 564	23 331 408	-11 908 653	28 360 810	-	39 783 565	118 729 999
Buildings	160 008 795	(132 625 252)	40 021	-		27 423 564	23 331 408	(21 940 153)	5 435 310		6 826 565	20 596 999
Land	18 006 902	113 083 098	-	-		131 090 000	-	10 031 500	22 925 500		32 957 000	98 133 000
Infrastructure	375 024 879	45 725 795	63 456 824	39 238 702	-	523 446 199	151 831 822	-127 634 785	16 204 202	-	40 401 240	483 044 959
Sewerage	50 564 320	8 052 321	2 514 603			61 131 244	19 583 314	(16 454 908)	1 597 111		4 725 517	56 405 727
Electricity	104 912 412	49 679 406	16 018 398	1 918 180		172 528 396	35 301 950	(31 731 296)	4 741 933		8 312 587	164 215 809
Water	123 047 478	(10 215 512)	25 455 608	37 176 312		175 463 886	43 327 111	(37 091 687)	3 724 483		9 959 907	165 503 980
Road	93 589 234	(4 634 498)	17 998 801	144 210		107 097 747	52 165 579	(41 190 773)	5 942 857		16 917 663	90 180 084
Security Measures	2 911 435	2 844 077	1 469 414			7 224 926	1 453 868	(1 166 120)	197 818		485 566	6 739 360
Community Assets	22 943 292	184 300 012	600 834	250 121	-	208 094 258	7 106 821 15 836 471	9 311 386	36 790 063	-	53 208 269	154 885 989
Lease Assets	5 292 635	-946 900	1 502 746	-	(133 000)	5 715 481	3 022 751	-944 347	1 001 430	132 017	2 947 817	2 767 664
Office Equipment	5 292 635	(946 900)	1 502 746		(133 000)	5 715 481	3 022 751	(944 347)	1 001 430	132 017	2 947 817	2 767 664
Heritage Assets	742 562	1 206 736	14 250	-	-	1 963 548	148 399	-25 399	283 500	-	406 500	1 557 048
Other Assets	61 156 298	838 058	3 468 369	-	87 743	65 550 468	35 945 961	-16 762 495	4 003 260	47 886	23 234 612	42 315 856
Bins & Containers	397 578	-	551 670	-	-	949 248	324 599	(194 344)	43 792	-	174 047	775 202
Other Assets	15 515 819	3 541 132	529 355	-	32 586	19 618 892	10 001 153	(2 728 429)	1 525 781	16 803	8 815 308	10 803 584
Office Equipment	13 679 135	39 052	1 702 007	-	51 385	15 471 579	10 241 181	(3 852 011)	1 157 717	31 083	7 577 970	7 893 609
Vehicles	31 563 765	(2 742 126)	685 337	-	3 772	29 510 748	15 379 028	(9 987 711)	1 275 970	-	6 667 287	22 843 461
	643 175 362	211 581 547	69 083 044	39 488 823	-45 257	963 283 519	221 387 163	-147 964 293	86 643 264	179 903	159 982 003	803 301 516

12 PROPERTY, PLANT AND EQUIPMENT

GRAP 17 - Property, Plant and Equipment

The municipality utilised the transitional provisions provided for in Directive 4, issued by the Accounting Standards Board, for the prior periods. The municipality is classified by the National Treasury as a medium capacity municipality and as a consequence the municipality must comply with all the GRAP Standards applicable at the reporting date.

Since the previous reporting date the following Property, Plant and Equipment were measured in accordance with GRAP 17 and restated retrospectively:

Changes to Cost / Fair Value
 Changes to Accumulated Depreciation
 Total not previously recognised now restated retrospectively

2011	2010
	211 581 547
	147 964 293
	<u><u>- 359 545 840</u></u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)		
Fully Depreciated assets still in use were as follows:		
Cost	-	68 598 878
Land and Buildings	-	277 059
Infrastructure	-	49 190 862
Community Assets	-	648 872
Other	-	18 482 086
Accumulated depreciation	-	68 590 322
Land and Buildings	-	277 048
Infrastructure	-	49 190 333
Community Assets	-	648 853
Other	-	18 474 089
Carrying value	-	8 556
The municipality reviewed the original useful lives of all Property, Plant and Equipment as part of the implementation of Directive 4, and restated the results of the reviews retrospectively as correction of errors, since the original useful lives allocated were not correct.		
Carrying value of assets retired from active use and held for disposal:	-	-
Carrying value of temporarily idle property plant and equipment:	-	-
Assets pledged as security:	-	-
Third party payments received for losses incurred:		
Payments received (Excluding VAT)	616 811	429 835
13 NON-CURRENT ASSETS HELD FOR SALE	2011 R	2010 R
Non-current assets held for sale at beginning of year - at book value	19 215	19 209
Additions for the year	(19 215)	6
	-	19 215
Non-current assets sold/written off during the year	-	-
Non-current assets held for sale at end of year - at book value	-	19 215
14 INVESTMENT PROPERTY	2011 R	2010 R
Net Carrying amount at 1 July	134 762 000	166 424 502
At Fair Value	134 762 000	166 424 502
Balance previously reported - At cost	-	196 696
Correction of error - Note 35.06	-	166 227 806
Accumulated depreciation	-	-
Balance previously reported - Accumulated depreciation	-	(88 108)
Correction of error - Note 35.06	-	88 108
Depreciation for the year	-	0
Balance previously reported - Depreciation for the year	-	(6 365)
Correction of error - Note 35.06	-	6 365
Fair value adjustments	17 396 000	(31 662 502)
Balance previously reported - Fair value adjustments	-	(31 662 502)
Correction of error - Note 35.06	-	-
Net Carrying amount at 30 June	152 158 000	134 762 000
Fair Value	152 158 000	134 762 000
Accumulated Depreciation	-	-

GRAP 16 - Investment Properties

The municipality did not measure the Investment Properties in the past in terms of Directive 4, issued by the Accounting Standards Board. Since the previous reporting date the following Investment Properties were measured at fair value in accordance with GRAP 16 and restated retrospectively:

15

There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.

There are no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

The Fair Value of Investment properties were determined by a qualified valuer based on current market prices.

15

Net Carrying amount at 1 July

Description	Remaining Amortisation Period
-------------	----------------------------------

No intangible asset were assessed having an indefinite useful life.

There are no intangible assets whose title is restricted.

There are no intangible assets pledged as security for liabilities

There are no contractual commitments for the acquisition of intangible assets.

Cost	-	1 118 710
Land and Buildings	-	1 118 710
Accumulated depreciation	-	1 118 672
Land and Buildings	-	1 118 672
Carrying value	-	38

16

Investment in Entity - Knysna Economic Development Agency
Other Fixed Deposits - at fair value
Less: Provision for impairment - Knysna Economic Development Agency

Reconciliation of Provision for Bad Debts

The average interest rate was 6,26% (2010: 8,04%).

17 443	17 183
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Investments are made in terms of the municipality's Cash Management and Investment Policy, as required by means of Regulation R 308 of 1 April 2005 gazetted in the Government Gazette No 27431 of 1 April 2005 and issued by the Minister of Finance.

Page 49

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

17	LONG TERM RECEIVABLES	2011	2010
		R	R
	Land Sales - Morcana Investments	194 920	186 062
	Staff Housing loans - At amortised cost	16 025	37 061
	Old Age Homes / Creche - At amortised cost	863 778	1 561 851
	Sundry deposits - At amortised cost	6 800	6 800
		1 081 523	1 791 774
	Less: Unamortised Discount on Loans	(5 230)	(8 312)
	Balance at beginning of year	(8 312)	(11 677)
	Adjustment for the period	3 082	3 365
	Less: Current portion transferred to current receivables	(62 931)	(118 433)
	Staff Loans - At amortised cost	(4 799)	(18 047)
	Old Age Homes - At amortised cost	(58 132)	(100 386)
		1 013 362	1 665 029
	Less: Provision for Impairment of Long Term Receivables	(546 086)	(1 202 511)
	Total Long Term Receivables	467 276	462 518
	The provision for doubtful debts on other debtors (loans and receivables) exists due to the possibility that not all these debts will be recovered. Loans and receivables were assessed individually and grouped together at the Statement of Financial Position date as financial assets with similar credit risk characteristics and collectively assessed for impairment.		
	The total amount of the provision for doubtful debts created is R 546 086 (2010: R 1 202 511) and the following loans and receivables are included therein:		
	Old Age Homes / Creche - At amortised cost	546 086	1 202 511
	Total Provision for Bad Debts on Other	546 086	1 202 511
	Reconciliation of Provision for Bad Debts		
	Balance at beginning of year	1 202 511	1 260 666
	Contribution/(Reduction) to provision	(23 259)	(58 155)
	Bad Debts written off	(633 166)	-
	Balance at end of year	546 086	1 202 511
	STAFF HOUSING LOANS		
	Staff housing loans are no longer granted. The outstanding amount relates to prior years and is still collectable. Interest is being charged at 4% to 13,5% per annum and the carrying value equals the discounted amount using the effective interest rate.		
	OLD AGE HOMES		
	New loans are not granted to organisations. The loans are repayable over periods up to forty years at a rate of 1% per annum, with the last loan redeemable in 2032.		
	Bad Debts written off : Vermont Old Age Home		
	At it's meeting of 30 September 2010 Council resolved to write off all arears relating to the loan for Vermont Old Age Home. The R 633 166 relates to the capital balance of the loan owed to the Housing Development Fund which was written off. The loan was provided by Provincial Government and transferred to Council in the mid 1990's as part of the creation of the Housing Development Fund.		
18	INVENTORY	2011	2010
		R	R
	Consumable Stores - Stationery and materials - At cost	745 640	589 226
	Maintenance Materials - At cost	1 006 878	728 575
	Water - At purification cost	469 113	363 718
	Spare parts - At cost	1 616	3 085
	Total Inventory	2 223 246	1 684 605
	Consumable stores materials written down due to losses as identified during the annual stores counts.	69 742	9 433
	Consumable stores materials surpluses identified during the annual stores counts.	56 614	23 247
	Inventory recognised as an expense during the year	15 629 506	13 726 956
	Dormant and slow moving inventory at year-end	118 196	162 235

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

19	RECEIVABLES FROM EXCHANGE TRANSACTIONS	R	R	R
		GROSS BALANCES R	PROVISION FOR IMPAIRMENTS R	NETT BALANCES R
	As at 30 June 2011			
	Electricity	21 804 229	1 980 302	19 823 927
	Water	22 894 742	12 033 697	10 861 044
	Rentals	1 954 050	1 602 970	351 079
	Refuse	10 066 788	5 057 588	5 009 201
	Sewerage	9 196 343	4 640 752	4 555 591
	Other Arrears	4 688 553	2 356 027	2 332 526
	Total : Trade receivables from exchange transactions	70 604 704	27 671 336	42 933 368
	As at 30 June 2010			
	Electricity	19 239 693	1 218 798	18 020 896
	Water	17 546 792	8 205 376	9 341 416
	Rentals	3 188 456	2 210 825	977 631
	Balance previously reported	2 967 715	2 210 825	756 890
	Correction of error - Note 35.01	220 741	-	220 741
	Refuse	8 656 068	5 461 843	3 194 225
	Sewerage	8 206 900	4 430 925	3 775 975
	Other Arrears	4 315 998	-	4 315 998
	Total : Trade receivables from exchange transactions	61 153 907	21 527 766	39 626 141
	The fair value of other receivables approximate their carrying value.			
	Ageing of Receivables from Exchange Transactions		2011 R	2010 R
	<u>Electricity: Ageing</u>			
	Current (0 - 30 days)		17 185 199	11 981 987
	31 - 60 Days		1 038 744	2 699 038
	61 - 90 Days		708 317	832 472
	+ 90 Days		2 871 968	3 726 195
	Total		21 804 229	19 239 693
	<u>Water: Ageing</u>			
	Current (0 - 30 days)		5 011 782	2 022 861
	31 - 60 Days		1 336 163	1 534 215
	61 - 90 Days		4 017 171	912 181
	+ 90 Days		12 529 626	13 077 535
	Total		22 894 742	17 546 792
	<u>Refuse: Ageing</u>			
	Current (0 - 30 days)		1 257 690	737 658
	31 - 60 Days		629 599	396 657
	61 - 90 Days		1 964 061	288 301
	+ 90 Days		6 215 438	7 233 452
	Total		10 066 788	8 656 068
	<u>Sewerage: Ageing</u>			
	Current (0 - 30 days)		883 821	508 903
	31 - 60 Days		436 296	319 111
	61 - 90 Days		1 637 441	252 563
	+ 90 Days		6 238 784	7 126 322
	Total		9 196 343	8 206 900
	<u>Rentals: Ageing</u>			
	Current (0 - 30 days)		344 519	162 996
	31 - 60 Days		110 801	125 041
	61 - 90 Days		90 768	102 895
	+ 90 Days		1 407 962	2 797 524
	Total		1 954 050	3 188 456
	<u>Other: Ageing</u>			
	Current (0 - 30 days)		857 334	1 056 600
	31 - 60 Days		760 788	122 672
	61 - 90 Days		281 630	100 203
	+ 90 Days		2 788 800	3 036 523
	Total		4 688 553	4 315 998

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

19	RECEIVABLES FROM EXCHANGE TRANSACTIONS (CONTINUED)		2011 R	2010 R	
	<u>Total: Ageing</u>				
	Current (0 - 30 days)		25 540 345	16 471 006	
	31 - 60 Days		4 312 391	5 196 735	
	61 - 90 Days		8 699 389	2 488 615	
	+ 90 Days		32 052 578	36 997 551	
	Total		70 604 704	61 153 907	
	<u>Reconciliation of the Total doubtful debt provision</u>				
	Balance at beginning of the year		21 527 766	18 706 087	
	Contributions to provision		12 632 170	7 022 332	
	Doubtful debts written off against provision		(6 488 600)	(4 200 653)	
	Balance at end of year		27 671 336	21 527 766	
	<u>Summary of Receivables by Customer Classification</u>				
		Residential, Industrial & Commercial R's	Other Debtors R's	National and Provincial Government R's	Total R's
	2011				
	Total Receivables	62 207 377	7 282 195	1 115 132	70 604 704
	Less: Provision for doubtful debts	(27 619 157)	(52 179)	-	(27 671 336)
	Total Recoverable debtors by customer classification	34 588 219	7 230 016	1 115 132	42 933 368
	2010				
Total Receivables	55 734 686	4 315 998	882 482	60 933 166	
Less: Provision for doubtful debts	(21 448 153)	(79 613)	-	(21 527 766)	
Total Recoverable debtors by customer classification	34 286 532	4 236 386	882 482	39 405 400	
20	RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS		R	R	
	<u>Other Receivables</u>				
	Rates		27 759 139	25 057 918	
	Miscellaneous		1 023 841	1 062 233	
	Total Other Receivables		28 782 980	26 120 151	
	Less: Allowance for Doubtful Debts		(8 912 908)	(5 985 674)	
	Net Other Receivables		19 870 072	20 134 477	
	Total Net Receivables from Non-Exchange Transactions		19 870 072	20 134 477	
	<u>Ageing of Receivables from Non-Exchange Transactions</u>				
	<u>Rates: Ageing</u>				
	Current (0 - 30 days)		7 756 399	6 898 680	
	31 - 60 Days		1 832 166	2 165 070	
	61 - 90 Days		4 378 776	1 062 259	
	+ 90 Days		13 791 798	14 931 909	
	Total		27 759 139	25 057 918	
	<u>Miscellaneous : Ageing</u>				
	Current (0 - 30 days)		213 918	288 276	
	31 - 60 Days		-	-	
	61 - 90 Days		-	-	
	+ 90 Days		809 924	773 957	
Total		1 023 841	1 062 233		
<u>Reconciliation of the Total doubtful debt provision</u>		2011 R	2010 R		
Balance at beginning of the year		5 985 675	1 297 405		
Contributions to provision		3 135 457	4 924 883		
Doubtful debts written off against provision		(208 223)	(236 614)		
Balance at end of year		8 912 909	5 985 675		

In determining the recoverability of a receivable, the Municipality considers any change in the credit quality of the receivable from the date the credit was initially granted, up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, management believes no further credit provisions are required in excess of the present allowance for doubtful debts.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

		2011 R	2010 R	
20	RECEIVABLES FROM EXCHANGE- AND NON-EXCHANGE TRANSACTIONS			
	All Non-Government debtors were either specifically impaired or subject to collective impairment.			
	<u>Trade and other receivables impaired</u>			
	2011	Exchange Transactions R's	Non-Exchange Transactions R's	Total R's
	Total	27 671 336	8 912 908	36 584 244
	2010	Exchange Transactions R's	Non-Exchange Transactions R's	Total R's
	Total	21 527 766	5 985 674	27 513 440
	Debts are required to be settled after 30 days, interest is charged after this date at prime +1%. The fair value of trade and other receivables approximates their carrying amounts.			
		2011 R	2010 R	
21	OPERATING LEASE ARRANGEMENTS			
21.1	The Municipality as Lessee			
	Balance at beginning of year	1 022 725	751 262	
	Movement during the year	165 452	271 463	
	Balance at end of year	1 188 177	1 022 725	
	At the Statement of Financial Position date, where the municipality acts as a lessee under operating leases, it will pay operating lease expenditure as follows:			
	Up to 1 Year	3 435 070	3 157 860	
	1 to 5 Years	8 231 537	9 364 384	
	More than 5 Years	171 745	2 163 013	
	Total Operating Lease Arrangements	11 838 352	14 685 257	
21.2	The Municipality as Lessor			
	Balance at beginning of year	2 167 750	1 849 734	
	Operating Lease Asset for the current year	230 106	318 016	
	Balance previously reported		224 520	
	Correction of error - Operating lease asset previously not recognised - Note 35.04		93 497	
	Balance at end of year	2 397 856	2 167 750	
		2011 R	2010 R	
	At the Statement of Financial Position date, where the municipality acts as a lessor under operating leases, it will receive operating lease income as follows:			
	Up to 1 Year	940 269	1 030 874	
	1 to 5 Years	4 457 054	4 087 859	
	More than 5 Years	11 228 295	12 087 910	
	Total Operating Lease Arrangements	16 625 619	17 206 643	
	This lease income was determined from contracts that have a specific conditional income and does not include lease income which has a undetermined conditional income. The leases are in respect of land and buildings being leased out for periods ranging until 2053			
		2011 R	2010 R	
22	CASH AND CASH EQUIVALENTS			
	<u>Assets</u>			
	Call Investments Deposits	31 077 680	26 181 834	
	Primary Bank Account	25 334 590	-	
	Secondary Bank Accounts	884 040	770 325	
	Cash Floats	12 270	11 470	
	Total Cash and Cash Equivalents - Assets	57 308 580	26 963 629	

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

22

CASH AND CASH EQUIVALENTS (CONTINUED)

Liabilities

Primary Bank Account

2011
R2010
R

-

10 185 666

Total Cash and Cash Equivalents - Liabilities

-

10 185 666

Cash and cash equivalents comprise cash held and short term deposits. The carrying amount of these assets approximates their fair value. Outstanding cheques are included in Cash and Cash Equivalents.

Call Investment Deposits to an amount of R 5 633 600 are held to fund the Unspent Conditional Grants (2010: R8 413 996)

Call Deposits of R 7,376,373 (2010: R 6,947,323) have been pledged to DBSA as guarantees on external loans taken up.

The municipality has the following bank accounts:

Current Accounts

ABSA Bank Limited - Account Number 1000014938 (Secondary Bank Account):

-

642 629

Nedbank - Account Number 1626561826 (Primary Bank Account):

25 334 590

(10 185 666)

Nedbank - Account Number 1626561834 (Secondary Account):

883 804

127 360

Nedbank - Account Number 1626561834 (Tertiary Account - SARS VAT Receipts):

236

336

26 218 630**(9 415 341)****Nedbank - Account Number 1626561826 (Primary Bank Account):**

Cash book balance at beginning of year

(10 185 666)

(15 470 835)

Cash book balance at end of year

25 334 590**(10 185 666)**

Bank statement balance at beginning of year

24 499 288

21 135 103

Bank statement balance at end of year

33 543 663**24 499 288****Nedbank - Account Number 1626561834 (Secondary Account):**

Cash book balance at beginning of year

127 360

171 551

Cash book balance at end of year

883 804

127 360

Bank statement balance at beginning of year

529 700

448 108

Bank statement balance at end of year

1 162 721**529 700****Nedbank - Account Number 1626561834 (Tertiary Account - SARS VAT Receipts):**

Cash book balance at beginning of year

336

436

Cash book balance at end of year

236

336

Bank statement balance at beginning of year

336

436

Bank statement balance at end of year

236**336****ABSA Bank Limited - Account Number 1000014938 (Secondary Bank Account):**

Cash book balance at beginning of year

642 629

Cash book balance at end of year

-

642 629

Bank statement balance at beginning of year

637 234

Bank statement balance at end of year

637 234Call Investment Deposits

Call investment deposits consist of the following accounts:

Nedbank - 03/7881531940/35 - Ceded DBSA

7 376 373

6 947 323

Nedbank - 03/7881531940/26

425 287

401 414

Nedbank - 03/7881042702/03

-

4 091 119

Nedbank - 03/7881056231/03

-

8 017

Nedbank - 03/7881080760/01

4 174 698

Nedbank - 03/7881085932/01

5 060 204

Nedbank Retail - 33162307-9997

2 598 767

Old Mutual - 111249865

298 435

Old Mutual - 111260822

339 018

Old Mutual - 111243580

5 146 184

Old Mutual - 111243583

17 561

Old Mutual - 111249864

39 650

Old Mutual - 111249866

24 053

2 013 184

Old Mutual - 111243585

-

2 607 953

Old Mutual - 111253357

-

5 007 600

ABSA - 9167248126 - Investment facility

-

57 391

Standard Bank - 08/872631/001

-

4 934 688

Standard Bank - 08/8726312/001

5 208 096

Standard Bank - 08/8726312/004

249 953

Investec - 021941-501

119 398

113 146

31 077 680**26 181 835**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

23		2011 R	2010 R
	PROPERTY RATES		
	<u>Actual</u>		
	Rateable Land and Buildings	138 063 738	127 537 745
	Domestic	99 328 500	93 522 643
	Building Clause Levies	4 565	-
	Accommodation	15 145 671	12 715 656
	Commercial	13 664 281	12 371 148
	Church	763 980	703 358
	Light Industrial	3 453 943	3 161 067
	Agricultural / Rural	680 931	903 878
	State	3 167 216	3 286 486
	Other - Pensioners etc.	1 854 652	873 511
	Less: Rebates	(21 272 360)	(18 941 052)
	Total Assessment Rates	116 791 378	108 596 693
	<u>Valuations - 30 June</u>		
	Rateable Land and Buildings	23 590 281	22 265 530
	Domestic	18 639 371	17 276 151
	Accommodation	2 290 862	2 154 897
	Commercial	1 467 406	1 567 762
	Church	85 865	91 555
	Light Industrial	392 029	386 569
	Agricultural / Rural	4 925	890
	State	385 854	385 854
	Public benefit	14 500	12 600
	Public Infrastructure	5 353	5 093
	Municipal	252 373	252 187
	Others	51 743	131 972
	Total Assessment Rates	23 590 281	22 265 530

Assessment Rates are levied on the fair market value basis. The last valuation came into effect on 1 July 2008. Revaluations will be undertaken in terms of the Municipal Property Rates Act. Interim valuations are processed to take into account changes in individual property values due to alterations and subdivisions and also to accommodate growth in the rate base due mostly to private development.

A rate in the rand for domestic properties of R 0.0052925 was charged on the total market value. Businesses were charged at a rate of R 0.00913 on the total market value.

Properties used for domestic purposes and consisting of both land and improvements are subject to a R 30,000 valuation reduction. There are also different rebates and phased in tariffs for different sectors of the community. Interest on arrear accounts is charged at bank rate plus one percent.

Rates are levied monthly and payable by the 7th of the following month. Interest is levied at the prime rate plus one percent on outstanding monthly instalments.

24		2011 R	2010 R
	GOVERNMENT GRANTS AND SUBSIDIES		
	Unconditional Grants	22 278 864	19 283 275
	Equitable Share - Refer to Note 24.01	22 278 864	19 283 275
	Conditional Grants	77 551 827	107 643 590
	National FMG Grant	1 030 609	991 983
	National MIG Grant	20 284 743	17 152 272
	National MIG Grant (Disaster Management Grant)	-	19 665 805
	National MSIG Grant	817 973	575 080
	National: Neighbourhood Development Partnership Grant	1 398 764	-
	National INEP Grant	1 452 000	1 108 000
	National Municipal Disaster Management Grant (MDMG)	12 584 844	27 515 156
	National Bulk Infrastructure Grant	-	500 000
	Provincial Housing Grant	37 596 464	36 983 755
	Provincial Other Grants	967 345	1 256 617
	EDEN District Municipal Grant	290 000	-
	Other Spheres of Government Grants	-	178 282
	Other Organisational Grants	1 129 086	1 716 639
	Total Government Grants and Subsidies	99 830 691	126 926 865
	Government Grants and Subsidies - Capital	36 887 924	65 194 971
	Government Grants and Subsidies - Operating	62 942 767	61 731 894
		99 830 691	126 926 865

The municipality does not expect any significant changes to the level of grants.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

		2011 R	2010 R
24	GOVERNMENT GRANTS AND SUBSIDIES (CONTINUED)		
24.01	Equitable share	22 278 864	19 283 275
	The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.		
24.02	National: Finance Management Grant (FMG)		
	Balance unspent at beginning of year	-	(8 017)
	Current year receipts	1 000 000	1 000 000
	Conditions met - transferred to revenue	(1 030 609)	(991 982)
	Unspent (Unpaid) Conditional Government Grants and Receipts	(30 609)	-
	The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns). No funds have been withheld.		
24.03	National: Municipal Infrastructure Grant (MIG)		
	Balance unspent at beginning of year	5 668 173	5 055 445
	Current year receipts	11 673 000	17 765 000
	Conditions met - transferred to revenue	(20 284 743)	(17 152 272)
	Unspent (Unpaid) Conditional Government Grants and Receipts	(2 943 570)	5 668 173
	The grant was used to construct roads, labour intensive side walks and sewerage infrastructure as part of the upgrading of informal settlement areas (included in roads and sewerage votes in Appendix B). No funds have been withheld.		
24.04	National: (MIG) Disaster Management Grant		
	Balance unspent at beginning of year	-	19 665 806
	Conditions met - transferred to revenue	-	(19 665 805)
	Unspent (Unpaid) Conditional Government Grants and Receipts	-	0
	Disaster Management Grant was used in mitigation of the flood damage experienced in August 2006 and November 2007. The conditions of the grant have been met.		
24.05	National: Municipal Systems Improvement Grant		
	Balance unspent at beginning of year	-	75 080
	Current year receipts	750 000	500 000
	Conditions met - transferred to revenue	(817 973)	(575 080)
	Unspent (Unpaid) Conditional Government Grants and Receipts	(67 973)	-
	The MSIG was used for building in-house capacity to perform municipal functions and stabilise institutional and governance systems, most especially the Visual Information Management System.		
24.06	National: Neighbourhood Development Partnership Grant		
	Current year receipts	5 000 000	-
	Conditions met - transferred to revenue	(1 398 764)	-
	Unspent (Unpaid) Conditional Government Grants and Receipts	3 601 236	-
	The NDPG is being utilised for development of economic nodes within previously disadvantaged areas.		
24.07	National: Integrated National Electrification Program Grant		
	Current year receipts	1 452 000	1 108 000
	Conditions met - transferred to revenue	(1 452 000)	(1 108 000)
	Unspent (Unpaid) Conditional Government Grants and Receipts	-	-
	The INEP Grant was used to address electrification backlogs of permanently occupied dwellings.		
24.08	National Municipal Disaster Management Grant (MDMG)		
	Balance unspent at beginning of year	(5 315 156)	-
	Current year receipts	17 900 000	22 200 000
	Conditions met - transferred to revenue	(12 584 844)	(27 515 156)
	Unspent (Unpaid) Conditional Government Grants and Receipts	-	(5 315 156)
	The MDMG was awarded as a drought relief grant and is to be utilised in the creation of additional water resources, specifically ground water and desalination.		
24.09	Regional Bulk Infrastructure Grant		
	Current year receipts	-	500 000
	Conditions met - transferred to revenue	-	(500 000)
	Unspent (Unpaid) Conditional Government Grants and Receipts	-	-
	The RBIG was used as a contribution towards the Sedgfield Water Desalination plant.		
24.10	Provincial - Integrated Housing & Human Settlements Grant		
	Balance unspent at beginning of year	(2 126 376)	(104 259)
	Current year receipts	39 292 313	34 961 638
	Conditions met - transferred to revenue	(37 596 464)	(36 983 755)
	Unspent (Unpaid) Conditional Government Grants and Receipts	(430 527)	(2 126 376)
	The IHHS from the Department of Local Government & Housing is used for the construction of infrastructure and houses in the Vision 2002, Fleters/Robololo & Sizamile Housing projects.		

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

		2011 R	2010 R
24	GOVERNMENT GRANTS AND SUBSIDIES (CONTINUED)		
24.11	Provincial - Other Provincial Grants		
	Balance due at beginning of the year	(32 833)	(920 016)
	Balance unspent at beginning of the year	1 053 801	635 635
	Correction of prior year unspent balance in reconciliation		843
	Current year receipts	785 000	2 561 122
	Conditions met - transferred to revenue	(967 345)	(1 256 617)
	Unspent (Unpaid) Conditional Government Grants and Receipts	-	(32 833)
	Unspent (Unpaid) Conditional Government Grants and Receipts	838 624	1 053 801
	Various grants were received from Provincial Government for sanitation, libraries, transport, disaster relief, etc; the main grants being: Community Development Workers, Emergency Housing Program, Library Services, Maintenance of Proclaimed Roads, Sport and Non-motorised Transport Grants.		
24.12	District - EDEN District Municipal Grants		
	Balance unspent at beginning of year	290 000	200 000
	Balance due at beginning of the year	-	754 211
	Current year receipts	150 000	844 211
	Conditions met - transferred to revenue	(290 000)	-
	Unspent (Unpaid) Conditional Government Grants and Receipts	150 000	290 000
	The unspent EDEN grants comprise amounts received and to be utilised for prepaid meters in Karatara (2010) and a Biodiversity Study (2010) and a Knysna Survey Project (2011).		
24.13	Other Spheres of Government Grants		
	Balance unspent at beginning of year	234 761	413 043
	Current year receipts	80 000	-
	Conditions met - transferred to revenue	-	(178 282)
	Unspent (Unpaid) Conditional Government Grants and Receipts	314 761	234 761
	This unspent Grant is from Masibambane (DWAE) and to be utilised for the continued development of Asset Maintenance Plans.		
24.14	Other organisational grants		
	Balance due at beginning of the year	(432 021)	(85 135)
	Balance unspent at the beginning of the year	1 167 262	1 000 000
	Current year receipts	1 024 137	1 537 014
	Conditions met - transferred to revenue	(1 129 086)	(1 716 639)
	Conditions met - balance due by organisation transferred to current assets	(98 688)	432 021
	Conditions met - balance transferred to current liabilities	728 980	1 167 262
	Various grants from Other Organisations used for sports facilities, capacity building and youth advisory centre - organisations being National Lottery, Local Government Seta and Umsobomvu Youth Fund.		
24.15	Changes in levels of government grants		
	Based on the allocations set out in the Division of Revenue Act, (Act 6 of 2011), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.		

		2011 R	2010 R
25	SERVICE CHARGES		
	Electricity	139 020 407	118 015 681
	Service Charges	141 970 931	120 337 357
	<u>Less:</u> Rebates	(2 950 523)	(2 321 675)
	Water	38 949 307	35 765 846
	Service Charges	44 532 492	40 856 354
	<u>Less:</u> Rebates	(5 583 186)	(5 090 508)
	Refuse removal	12 695 305	11 433 078
	Service Charges	13 490 219	12 329 679
	<u>Less:</u> Rebates	(794 914)	(896 601)
	Sewerage and Sanitation Charges	9 096 234	8 484 246
	Service Charges	9 812 504	9 247 272
	<u>Less:</u> Rebates	(716 270)	(763 027)
	Other Service Charges	2 143 944	1 879 796
	Total Service Charges	201 905 197	175 578 647

Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
26 OTHER INCOME		
Administration fees	179 399	102 944
Irregular expenditure recovered	9 380	-
Parking fees	27 527	33 659
Penalty disconnection fees	505 451	425 407
Sundries	607 390	480 099
Valuation certificates	158 320	113 364
Sale of refuse bags	132 027	135 206
Total Other Income	1 619 494	1 290 679
27 EMPLOYEE RELATED COSTS		
Employee Related Costs - Salaries and Wages	77 020 012	66 834 675
Employee Related Costs - Contributions for UIF, Pensions and Medical Aids	21 434 634	20 832 598
Travel, Motor Car, Accommodation, Subsistence and Other Allowances	6 366 995	6 832 678
Housing Benefits and Allowances	1 350 944	1 302 473
Overtime Payments	5 081 783	4 121 894
Bonuses	5 482 519	4 936 230
Provision for leave	1 264 022	1 008 345
TASK implementation	214 961	728 968
Contribution to provision - Ex-gratia pensions - Note 4	34 133	65 112
Contribution to provision - Long Service Awards - Note 4	1 129 299	792 940
Contribution to provision - Post Retirement Medical - Note 4	6 119 223	6 759 201
	125 498 525	114 215 114
Less: Employee Costs allocated elsewhere	(795 860)	(293 587)
Total Employee Related Costs	124 702 665	113 921 527
KEY MANAGEMENT PERSONNEL		
Key management personnel are all appointed on 5-year fixed contracts. There are no post-employment or termination benefits payable to them at the end of the contract periods.		
REMUNERATION OF KEY MANAGEMENT PERSONNEL		
Remuneration of the Municipal Manager		
Annual Remuneration	961 177	870 803
Car Allowance	96 000	96 000
Telephone Allowance	12 000	12 000
Performance Bonus	100 379	83 467
Contributions to UIF, Medical and Pension Funds	181 782	176 119
Total	1 351 338	1 238 389
Remuneration of the Director Technical Services		
Annual Remuneration	700 695	804 145
Car Allowance	47 808	27 795
Performance Bonus	268 054	120 838
Long Service Award	-	63 233
Leave paid out (retired and post subsequently filled)	183 703	-
Telephone allowance	10 000	12 000
Housing allowance	3 467	6 522
Contributions - UIF, Medical, Pension	148 926	191 555
Total	1 362 653	1 226 088
Remuneration of the Director Corporate Services		
Annual Remuneration	697 483	623 785
Car Allowance	96 000	96 000
Telephone Allowance	12 444	12 444
Performance Bonus	66 685	58 482
Contributions - UIF, Medical, Pension	119 119	113 779
Total	991 731	904 489
Remuneration of the Director Financial Services		
Annual Remuneration	996 781	906 040
Car Allowance	36 000	36 000
Telephone Allowance	13 066	13 066
Performance Bonus	87 286	63 507
Contributions to UIF, Medical and Pension Funds	28 956	27 809
Total	1 162 090	1 046 423
Remuneration of the Director Strategy (2010/2011 Acting)		
Annual Remuneration (Acting)	138 258	226 530
Performance Bonus	41 678	38 988
Total	179 936	265 518

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
27 EMPLOYEE RELATED COSTS (CONTINUED)		
<i>Remuneration of the Director Community Services</i>		
Annual Remuneration	594 027	488 634
Car Allowance	109 500	150 000
Telephone Allowance	12 000	12 000
Performance Bonus	36 346	34 000
Contributions to UIF, Medical and Pension Funds	120 666	114 446
Total	872 538	799 081
<i>Remuneration of Director : Planning and Development</i>		
Annual Remuneration	727 992	660 464
Car Allowance	60 000	60 000
Telephone allowance	12 444	12 444
Performance Bonus	91 692	85 774
Contributions - UIF, Medical, Pension	124 611	119 270
Total	1 016 738	937 952

	2011 R	2010 R
28 REMUNERATION OF COUNCILLORS		
Executive Mayor	588 886	565 936
Executive Deputy Mayor	477 944	461 105
Speaker	477 944	461 105
Councillors	2 099 642	1 947 547
Mayoral Committee	943 666	866 710
Total Councillors' Remuneration	4 588 082	4 302 403

In-kind Benefits

The Executive Mayor, Executive Deputy Mayor, Speaker and Executive Committee Members are full-time Councillors. Each is provided with an office and shared secretarial support at the cost of the Municipality. The Executive Mayor may utilise official Council transportation when engaged in official duties.

Certification by the Municipal Manager

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.



Signed: Acting Municipal Manager

	2011 R	2010 R
29 DEBT IMPAIRMENT		
Long Term Receivables - Note 17	(23 259)	(58 155)
Investment in Entity - Note 16	1 514 393	218 041
Receivables from exchange transactions - Note 19	12 632 170	7 022 332
Receivables from non-exchange transactions - Note 20	3 135 457	4 924 883
Total Contribution to Impairment Provision	17 258 761	12 107 101

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

		2011 R	2010 R
30	IMPAIRMENTS		
	Stock impaired	69 742	9 433
	Property Plant & Equipment	42 056	64 338 555
	Cash and Cash equivalents - Armed Robbery	53 963	
		<u>165 761</u>	<u>64 347 989</u>
31	FINANCE CHARGES		
	Long-term liabilities (Restated 2010)	17 193 358	16 572 366
	Total finance charges	<u>17 193 358</u>	<u>16 572 366</u>
	Borrowing costs capitalised in terms of GRAP 5.	<u>108 869</u>	<u>1 321 736</u>
32	BULK PURCHASES		
	Electricity	85 585 757	69 031 096
	Refuse drums	32 420	60 466
	Total Bulk Purchases	<u>85 618 177</u>	<u>69 091 562</u>
33	GRANTS AND SUBSIDIES		
	Grants-in-aid and Donations	1 602 781	1 352 078
	Knysna Economic Development Agency	-	5 395
	Knysna Tourism	4 240 000	4 000 000
	Total Grants and Subsidies	<u>5 842 781</u>	<u>5 357 472</u>
34	GENERAL EXPENSES		
	General Expenses	<u>52 417 119</u>	<u>53 337 020</u>
	General expenses contains administrative and technical expenses otherwise not provided for in the line-items of the Statement of Financial performance. This include items such as telecommunications, travelling, legal fees, auditing fees and consulting fees.		
35	CORRECTION OF ERROR IN TERMS OF GRAP 3		2010 R
35.01	Receivables from exchange transactions		
	Balance previously reported		39 405 400
	Land sales not previously recognised - Refer note 19 and 35.08		
	Meter readings not previously measured until 30 June - Refer Notes 35.07 and 35.08		
	Water revenue not previously measured - Refer Note 35.07		
	Rentals not previously measured prior to 1 July 2009- Refer Note35.08		152 356
	Rentals not previously measured for the prior year- Refer Note35.08		68 385
	Total		<u>39 626 141</u>
35.02	Long-term Liabilities		
	Balance previously reported		
	Finance lease not previously recognised - Notes 3 and 35.07 and 35.08		171 627
	Total		<u>171 627</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

		2010 R
35	CORRECTION OF ERROR IN TERMS OF GRAP 3 (CONTINUED)	
35.03	Property, Plant and Equipment	491 352 923
	Balance previously reported	
	Finance leases not previously recognised - Cost - Note 12	190 336
	Finance leases not previously recognised - Accumulated depreciation - Note 12	(21 148)
	Property, plant and equipment sold in 2006 not previously disposed - Cost - Refer to note 12 and 35.07	
	Correction of Opening Balance on Cost/Fair Value due to the implementation of Directive 4 - Note 12 and 35.07 and 52.01	221 390 781
	Correction of Opening Balance on Accumulated Depreciation due to the implementation of Directive 4 - Note 12 and 35.07 and 52.01	175 019 570
	Correction of prior year Accumulated Impairments due to the implementation of Directive 4 - Note 12 and 52.01	(27 261 426)
	Correction of prior year movement on Cost/Fair Value due to the implementation of Directive 4 - Note 12 and 52.01	(1 056 949)
	Correction of movement on depreciation due to the implementation of Directive 4 - Note 12 and 35.07 and 52.01	7 942 779
	Correction of prior year Impairments due to the implementation of Directive 4 - Note 12 and 52.01	(64 298 705)
	Total	803 258 162
35.04	Operating lease asset	
	Balance previously reported	2 074 253
	Operating lease liability not previously recognised - Notes 21.2 and 35.08	93 497
	Total	2 167 750
35.05	Intangible assets	
	Balance previously reported	177 516
	Correction of Cost due to the implementation of Directive 4 - Note 15 and 35.07 and 52.02	(2 038)
	Correction Accumulated Amortisation due to the implementation of Directive 4 - Note 15 and 35.07 and 52.02	
		2 035
	Total	177 513
35.06	Investment Properties	
	Balance previously reported	102 224
	Correction of Opening Balance on Cost due to the implementation of Directive 4 - Note 14 and 35.07 and 52.03	166 227 806
	Correction of Opening Balance on Accumulated Depreciation due to the implementation of Directive 4 - Note 14 and 35.07 and 52.03	88 108
	Correction of prior year fair value adjustments due to the implementation of Directive 4 - Note 14 and 52.03	(31 662 502)
	Correction of prior year movements on Accumulated Depreciation due to the implementation of Directive 4 - Note 14 and 35.08 and 52.03	6 365
	Total	134 762 000
35.07	Accumulated Surplus/(Deficit)	
	Balance previously reported	225 149 106
		535 660 553
	Rentals not previously measured for the prior year- Refer Note36.04	152 356
	Adjustments to Investment Property at fair value due to the implementation of Directive 4 - Notes 35.060 and 52.03	166 227 806
	Reversal of Accumulated Depreciation on Investment Properties due to the implementation of Directive 4 - Notes 35.060 and 52.03	88 108
	Adjustments to Intangible Assets at cost due to the implementation of Directive 4 - Notes 35.05 and 52.02	2 038
	Adjustments to Accumulated Amortisation on Intangible Assets at cost due to the implementation of Directive 4 - Notes 35.05 and 52.02	(2 035)
	Correction of Opening Balance on Cost of PPE due to the implementation of Directive 4 - Note 12 and 35.07 and 52.01	221 434 136
	Correction of Opening Balance on Accumulated Depreciation of PPE due to the implementation of Directive 4 - Note 12 and 35.07 and 52.01	175 019 570
	Correction of prior year Accumulated Impairments of PPE due to the implementation of Directive 4 - Note 12 and 52.01	(27 261 426)
	Total	760 809 658

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

		2010 R
35	CORRECTION OF ERROR IN TERMS OF GRAP 3 (CONTINUED)	
35.08	Statement of financial performance	-
	Surplus previously reported	69 579 998
		(88 909 572)
	Adjustments to depreciation due to the implementation of Directive 4 - Notes 35.03 and 52.01	7 810 761
	Recognition of prior year Impairments due to the implementation of Directive 4 - Note 12 and 35.03 and 52.01	(64 298 705)
	Correction of movement on repairs and maintenance on Cost of PPE due to the implementation of Directive 4 - Note 12 and 35.07 and 52.01	(491 099)
	Correction of movement on operating grant expenditure (Housing Top Structures) on Cost of PPE due to the implementation of Directive 4 - Note 12 and 35.07 and 52.01	(432 853)
	Correction of movement on Profit/Loss on disposal of leased assets not previously derecognised on Cost of PPE due to the implementation of Directive 4 - Note 12 and 35.07 and 52.01	(982)
	Adjustments to Investment Property at fair value due to the implementation of Directive 4 - Notes 35.060 and 52.03	(31 662 502)
	Reversal of Accumulated Depreciation on Investment Properties due to the implementation of Directive 4 - Notes 35.060 and 52.03	6 365
	Finance leases not previously recognised - Interest expense	(5 501)
	Finance leases not previously recognised - Depreciation	(21 148)
	Finance leases not previously recognised - General expenses - Hire Office Equipment	24 211
	Operating lease asset not previously recognised - Note 35.04	93 497
	Rentals not previously measured for the prior year- Refer Note35.01	68 385
	Total	(19 329 574)
36	RECONCILIATION BETWEEN NET SURPLUS/(DEFICIT) FOR THE YEAR AND CASH GENERATED/(ABSORBED) BY OPERATIONS	
	Surplus/(Deficit) for the year	96 528 224
	Adjustments for:	
	Depreciation and amortisation	18 417 385
	Amortisation of Intangible Assets	22 432 543
	Prior year adjustments affecting cashflow	
	(Gain)/Loss on disposal of property, plant and equipment	(664 645)
	Impairments	42 056
	Reversal of Impairment Losses	(53 045 265)
	Fair Value Adjustments on Investment Properties	31 662 502
	Foreign Exchange Gain	(74 959)
	Contribution/(reduction) from/to provisions - Non-Current	3 632 364
	Contribution from/to Non-current provisions - expenditure incurred	(899 398)
	Contribution from/to employee benefits - non-current	7 282 655
	Contribution from/to employee benefits - non-current - expenditure incurred	(1 932 670)
	Contribution from/to employee benefits - non-current - actuarial losses	6 054 852
	Contribution from/to employee benefits - non-current - actuarial gains	-
	Contribution to employee benefits – current	1 962 974
	Contribution to employee benefits – current - expenditure incurred	(2 171 751)
	Contribution to provisions – bad debt	17 258 761
	Unamortised discount	(680 699)
	Bad debts written off	(7 329 989)
	Operating lease income accrued	(230 106)
	Operating lease expenses accrued	165 452
	Investment income	(5 914 526)
	Interest expense	17 193 358
	Operating Surplus/(Deficit) before changes in working capital	95 594 071
	Changes in working capital	4 206 048
	Increase/(Decrease) in Trade and Other Payables	10 462 886
	Increase/(Decrease) in Unspent Conditional Government Grants and Receipts	(2 780 396)
	Increase/(Decrease) in Taxes	4 840 806
	(Increase)/Decrease in Inventory	(538 641)
	(Increase)/Decrease in Trade Receivables from exchange transactions	(9 450 797)
	(Increase)/Decrease in Other Receivables from non-exchange transactions	(2 662 829)
	(Increase)/Decrease in Unpaid Conditional Government Grants and Receipts	4 335 020
	Cash generated/(absorbed) by operations	99 800 119
		78 665 966

Die formules lyk nie lekker met die wins

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

				2011 R	2010 R
37	CASH AND CASH EQUIVALENTS				
	Cash and cash equivalents included in the cash flow statement comprise the following:				
	Call Investments Deposits - Note 22			31 077 680	26 181 834
	Cash Floats - Note 22			12 270	11 470
	Bank - Note 22			26 218 630	770 325
	Bank overdraft - Note 22			-	(10 185 666)
	Total cash and cash equivalents			57 308 580	16 777 964
				2011 R	2010 R
38	RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES				
	Cash and Cash Equivalents - Note 37			57 308 580	16 777 964
	Investments - Note 16			14 983 551	13 295 235
				72 292 130	30 073 199
	Less:			51 755 559	24 555 567
	Unspent Committed Conditional Grants - Note 9			5 633 600	507 611
	Unspent Conditional Public Contributions - Note 10			4 500	
	Unspent Borrowings - Note 39			21 699 847	10 752 720
	Cash Portion of Housing Development Fund - Note 2			2 057 688	-
	Secured Investments - Notes 3 and 16			22 359 924	13 295 235
	Net cash resources available for internal distribution			20 536 572	5 517 632
	Allocated to:				
	Capital Replacement Reserve - Note 2			(5 199 523)	
	Employee Benefits Reserve - Note 2			(5 242 645)	-
	Non-Current Provisions Reserve - Note 2			(4 656 176)	-
	Resources available (shortfall) for woking capital requirements			5 438 227	5 517 632
				2011 R	2010 R
39	UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION				
	Long-term Liabilities - Note 3			173 542 502	168 165 309
	Used to finance property, plant and equipment - at cost			(151 842 655)	(157 412 589)
				21 699 847	10 752 720
	Cash set aside for the unspent portion of long-term liabilities - Note 38			(21 699 847)	(10 752 720)
	Cash invested for repayment of long-term liabilities			-	-
	Long-term liabilities have been utilised in accordance with the Municipal Finance Management Act. The Annuity Loans carry interest of between 10% and 17% and will be repaid by 2029				
40	BUDGET COMPARISONS				
		2011 R (Actual)	2011 R (Budget)	2011 R (Variance)	2011 (%)
40.1	Operational				
	Revenue by source				
	Property Rates	116 791 378	118 527 000	(1 735 622)	(1%)
	Government Grants and Subsidies - Capital	36 887 924	37 960 000	(1 072 076)	(3%)
	Government Grants and Subsidies - Operating	62 942 767	72 353 000	(9 410 233)	(13%)
	Augmentation Fees	2 386 870	-	2 386 870	100%
	Foreign Exchange Gain	74 959	-	74 959	100%
	Third Party Payments	616 811	-	616 811	100%
	Fines	2 338 273	1 989 000	349 273	18%
	Stock Adjustments	56 614	-	56 614	100%
	Reversal of provisions	-	-	-	0%
	Reversal of Impairment Losses	53 045 265	-	53 045 265	100%
	Other non-exchange revenue	430 770	236 000	194 770	83%
	Property Rates - penalties imposed and collection charges	2 018 900	1 959 000	59 900	3%
	Service Charges	201 905 196	198 512 000	3 393 196	2%
	Rental of Facilities and Equipment	4 069 244	3 126 000	943 244	30%
	Interest Earned - external investments	5 914 526	5 012 000	902 526	18%
	Interest Earned - outstanding debtors	3 872 597	3 843 000	29 597	1%
	Licences and Permits	1 719 389	1 109 000	610 389	55%
	Agency Services	1 715 677	1 731 000	(15 323)	(1%)
	Other Income	1 619 494	1 322 000	297 494	23%
	Gain on disposal of PPE / Investment Property	1 541 241	-	1 541 241	100%
	Unamortised discount - Interest	691 109	716 000	(24 891)	(3%)
		500 639 004	448 395 000	52 244 004	12%

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

40 BUDGET COMPARISONS (CONTINUED)

	2011 R (Actual)	2011 R (Budget)	2011 R (Variance)	2011 (%)
40.1 Operational				
Expenditure by nature				
Employee related costs	(124 702 665)	(128 006 300)	3 303 635	(3%)
Remuneration of Councillors	(4 588 082)	(4 352 000)	(236 082)	5%
Debt Impairment	(17 258 761)	(23 586 000)	6 327 239	(27%)
Collection Cost	(104 918)	(80 000)	(24 918)	31%
Depreciation and Amortisation	(18 417 385)	(31 344 420)	12 927 035	(41%)
Impairments	(165 761)	(64 000)	(101 761)	159%
Repairs and Maintenance	(20 171 074)	(19 690 460)	(480 614)	2%
Actuarial losses	(6 054 852)	-	(6 054 852)	100%
Finance Charges	(17 193 358)	(19 394 190)	2 200 832	(11%)
Unamortised discount - Interest	(10 410)	-	(10 410)	100%
Bulk Purchases	(85 618 177)	(86 398 320)	780 143	(1%)
Contracted services	(12 805 847)	(12 357 550)	(448 297)	4%
Grants and Subsidies Paid	(5 842 781)	(5 703 550)	(139 231)	2%
Stock Adjustments	-	-	-	0%
Other Operating Grant Expenditure	(37 882 997)	(40 312 000)	2 429 003	(6%)
Loss on disposal of PPE / Investment Property	(876 596)	-	-	-
General Expenses	(52 417 119)	(54 747 210)	2 330 091	(4%)
	<u>(404 110 780)</u>	<u>(426 036 000)</u>	<u>22 801 816</u>	<u>(5%)</u>
Net Surplus for the year	96 528 224	22 359 000	75 045 820	336%

Details of material variances**Revenue by source**

Explanations of variances on Revenue by Source are only provided where the value is more than R 1 million below the budget and the variance percentage is greater than 10%.

Government Grants and Subsidies - Operating: R -9 410 233	(13%)	-	Revenue from operating government grants and subsidies can only be recognised if expenditure has occurred and the grant conditions have been met. The main operating grants that have under spent compared to budget are the Informal Housing and Human Settlements Grant (IHHS) (R 2.0 million) and the Masibambane Grant (R 0.3 million). IHHS was an unpaid debtor at 1 July 2010 of R 2,3 million. Part of the grant received for 2010/2011 was used to settle the unpaid balance resulting in lower than budgeted expenditure during the year. Unspent funds for the Masibambane project were appropriated in the February 2011 adjustment budget, but were never utilised. The other portion of operating grant revenue that did not realise is related to the recognition of VAT as own revenue on grant funded projects which is allowed in terms of MFMA Circular 48. VAT related to the Neighbourhood Development Partnership Grant (NDPG) could not be recognised as the grant contract and conditions has specifically excluded this (R 0,6 million). No VAT was recognised on the Municipal Disaster Management Grant (MDMG) since the grant was fully utilised to fund the capital projects and has been recognised in government grants and subsidies - capital. VAT on the IHHS grant has not been recognised as the grant has been fully utilised.
Reversal of Impairment Losses: R 53 045 265	100%	-	Reversal of impairment losses on land and buildings previously recognised due to the adoption of the fair value model.

Expenditure by type

Explanations of variances on Expenditure by Type are only provided where the value is R 1 million more or less than the budget and the variance percentage is greater than 10%.

Actuarial losses: R -6 054 852	100%	-	CHECK REPORT
Debt Impairment: R 6 327 239	(27%)	-	The main variance on Debt Impairments relates to the impairment of Consumer Debtors (R 6,9 million). The budget was formulated to reflect the difference in the projected revenue and the cash to be realised from these billings. Higher than budgeted payment levels, collection of arrears older than a year and council approved write offs resulted in a lower than budgeted debt impairment required for consumer debtors. Knysna Municipality's contribution towards Knysna Economic Development Agency (KEDA) is represented by non-current investments in the Statement of Financial Position. These contributions are fully impaired as a cash return is neither expected nor required. The contribution towards KEDA was greater than budgeted and thus the debt impairment of this investment has been overpaid by R 0,6 million.
Depreciation and Amortisation: R 12 927 035	(41%)	-	Implementation of GRAP 17.
Finance Charges: R 2 200 832	(11%)	-	The savings on interest repayments for annuity loans is R 2,1 million. The new loan secured for 2010/2011 was only disbursed at the end of June 2011, resulting in no finance charges for 2010/2011. Rates on loans linked to variable instruments, such as JIBAR, have decreased between one and two percent since budget projections were made for the 2010/2011 financial year resulting in savings on finance charges for 2010/2011.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R (Actual)	2011 R (Budget)	2011 R (Variance)	2011 (%)
40 BUDGET COMPARISONS (CONTINUED)				
40.2 Expenditure by Vote				
Exec & Council	30 997 826	29 583 090	1 414 736	5%
Corporate	7 592 587	7 343 950	248 637	3%
Finance	11 183 449	13 365 890	(2 182 441)	(16%)
Strategy	1 543 631	2 348 420	(804 789)	(34%)
Planning	50 513 690	62 881 820	(12 368 130)	(20%)
Community	83 520 325	83 192 900	327 425	0%
Electricity	147 879 269	152 252 600	(4 373 331)	(3%)
Technical	70 880 004	75 067 330	(4 187 326)	(6%)
Less Inter-Departmental Charges	-	-	-	0%
	404 110 780	426 036 000	(21 925 220)	(5%)

Details of material variances

Explanations of variances by Vote are only provided where a vote is over spent or where the variance value is R 1 million less than budget and the variance percentage is greater than 10%.

Exec & Council: R 1 414 736	5%	-	The full R 6 million Actuarial Losses was expensed against Executive and Council for the
Corporate: R 248 637	3%	-	Depreciation charges for Leased Assets of R 1 million resulted in the over expenditure.
Finance: R -2 182 441	(16%)	-	A saving of R 1,7 million on debt impairment of property rates.
Planning: R -12 368 130	(20%)	-	The main areas contributing towards the savings were debt impairment (R 3,7 million), depreciation (R 3,9 million), general expenses (R 1,6 million) and operating grant expenditure (R2 million)
Community: R 327 425	0%	-	Largest contributing factors were employee related costs and bulk refuse removal.

	2011 R (Actual)	2011 R (Budget)	2011 R (Variance)	2011 (%)
40.3 Capital expenditure by vote				
Executive & Council	354 366	296 000	58 366	20%
Corporate	202 106	132 000	70 106	53%
Finance	3 232 534	761 130	2 471 404	325%
Planning	6 354 691	11 814 000	(5 459 309)	(46%)
Community	586 588	1 760 690	(1 174 102)	(67%)
Electricity	5 529 305	7 584 000	(2 054 695)	(27%)
Technical	37 129 640	35 385 180	1 744 460	5%
	53 389 230	57 733 000	(4 343 770)	(8%)

Details of material variances

Executive & Council: R 58 366	20%	-	Purchases for newly elected councillors office furniture and equipment (R71 810) was not budgeted.
Corporate: R 70 106	53%	-	Office machines purchased by means of finance lease (R107 500) was not budgeted.
Finance: R 2 471 404	325%		Office machines purchased by means of finance lease (R0,4 million) was not budgeted. No capital budget had been made for Microsoft Windows and Server licences budgeted as an operating purchase over three years which was determined to be an asset purchased by means of finance lease (R2,2 million).
Planning: R -5 459 309	(46%)		Delays in implementation and construction of the Hornlee Taxi Rank which is funded by means of the Neighbourhood Development Partnership grant (R3 million), and under-expenditure on Housing funded from the Informal Housing and Human Settlements grant (R2,3 million - see also the explanation given in note 41.1 for government grants and subsidies - operating).
Community: R -1 174 102	(67%)		No expenditure made on Sports & Community Facilities (R0,9 million) nor on Waste Disposal Sites (R0,2 million) included in the February 2011 adjustments budget.
Electricity: R -2 054 695	(27%)		R1,8 million unspent on multi-year projects funded by either secured borrowings or from the capital replacement reserve.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

		2011 R	2010 R
41	UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED		
41.1	<u>Unauthorised expenditure</u>		
	Reconciliation of unauthorised expenditure:		
	Opening balance	-	-
	Unauthorised expenditure current year - capital	4 344 336	698 098
	Unauthorised expenditure current year - operating	1 990 798	21 801 923
	Approved by Council or condoned	-	-
	Unauthorised expenditure awaiting authorisation	6 335 134	22 500 021

Incident	Disciplinary steps/criminal proceedings
Over expenditure of approved budget per Vote - See Note 40	None

41.2 Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure:

Opening balance	18 759	-
Fruitless and wasteful expenditure current year	164 417	18 759
Condoned or written off by Council	-	-
Transfer to receivables for recovery - not condoned	-	-
Fruitless and wasteful expenditure awaiting condonement	183 176	18 759

Incident	Disciplinary steps/criminal proceedings
Fraudulent cheque no. 89485 dated 26/02/2010 banked at FNB Galleria and cleared by Nedbank on 09/03/2010. Replacement reissued to settle creditors account. Reported to Knysna SAP Case No. 658/4/2010 - R18 759	None
Cancellation of international air tickets to Denmark - R16 518	None
Penalty interest on lost cheque between banks - R3 852	None
Penalty interest on two payments to SARS: One for a late payment and the other for a late payment due to cheque being lost in the post - R110 807	None
Pipeline damaged by developer and the municipality repaired it without claiming damages - R36 816	None

41.3 Irregular expenditure

Reconciliation of irregular expenditure:

Opening balance	59 414 100	30 045 226
Irregular expenditure current year		29 368 874
Irregular expenditure reclassified	(59 414 100)	-
Irregular expenditure awaiting approval	-	59 414 100

Incident	Disciplinary steps/criminal proceedings
Prior year balances referred to non-compliance with the Supply Chain Management Policy which were subsequently re-evaluated, as mentioned below.	None

Explanation: In 2009 this expenditure was condoned by Council. The Accountant-General has subsequently declared that any condonation can only be made by National Treasury in terms of Section 170 of the MFMA. Guidance on the manner of application for condonement is now awaited but due to National Treasury not responding the municipality reconsidered the definition of irregular expenditure and determined that amounts previously reported do not constitute irregular expenditure and subsequently removed from this disclosure.

41.4 Material Losses**Electricity distribution losses**

Units purchased (Mwh)	190 754	189 827
- Units lost during distribution (Mwh)	13 105	13 902
- Percentage lost during distribution	6.87%	7.32%

Water distribution losses

- Mega litres purified	3 869	3 841
- Mega litres lost during distribution	702	989
- Percentage lost during distribution	18.15%	25.76%

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
42 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT		
42.1 Contributions to organised local government - [MFMA 125 (1)(b)] - SALGA CONTRIBUTIONS		
Opening balance	-	-
Council subscriptions	568 763	509 988
Amount paid - current year	(568 763)	(509 988)
Balance unpaid (included in creditors)	-	-
42.2 Audit fees - [MFMA 125 (1)(b)]		
Opening balance	-	-
Current year audit fee	2 335 110	3 248 522
External Audit - Auditor-General	2 038 921	1 626 529
Internal Audit	143 549	1 469 354
Audit Committee	152 640	152 640
Amount paid - current year	(2 335 110)	(3 248 522)
Balance unpaid (included in creditors)	-	-
42.3 VAT - [MFMA 125 (1)(b)]		
Opening balance	11 004 278	3 123 983
Amounts received - previous year	(8 293 625)	6 143
Amounts received - current year	(31 385 931)	(33 675 317)
Amounts claimed - current year	29 849 741	37 272 895
Amount paid - current year	3 593 621	4 276 574
Corrections	(436 809)	-
Closing balance	4 331 275	11 004 278
Vat inputs receivables and Vat outputs payables are shown in Note 11		
All VAT returns have been submitted by the due date throughout the year.		
Vat in suspense due to cash basis of treatment	(3 711 852)	(5 118 136)
42.4 PAYE and UIF - [MFMA 125 (1)(b)]		
Opening balance	(11 197)	(10 181)
Current year payroll deductions and Council Contributions	(13 814 929)	(11 745 293)
Amount paid - current year	13 819 831	11 744 277
Balance unpaid (included in creditors)	(6 295)	(11 197)
42.5 Pension and Medical Aid Deductions - [MFMA 125 (1)(b)]		
Opening balance	-	-
Current year payroll deductions and Council Contributions	(30 052 626)	(27 070 756)
Amount paid - current year	30 052 626	27 070 756
Amount paid - previous year	-	-
Balance unpaid (included in creditors)	-	-
42.6 Councillor's arrear consumer accounts - [MFMA 125 (1)(b)]		
The following Councillors had arrear accounts for more than 90 days as at 30 June:		
	2011 R Outstanding more than 90 days	2010 R Outstanding more than 90 days
Currently in office		
Dyantyi M	4 316	-
Lizwani M	4 767	-
Gombo E	1 394	-
Van Aswegen EO	10 532	-
Williams M	29	-
In Office until 18 May 2011		
Matungana A	-	-
Bouw-Spies E	-	1 044
Kemoetie D	-	304
Matungana A	-	716
Total Councillor Arrear Consumer Accounts	21 038	2 064

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

		2011 R	2010 R		
42	ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (CONT)				
42.7	The following Councillors had arrear accounts outstanding for more than 90 days during the year.				
	<u>Currently in office</u>	Highest amount outstanding	Ageing	Month	
	Dyantyi M	4 316		Jun 2011	
	Lizwani M	4 767		Jun 2011	
	Van Aswegen EO	10 532		Jun 2011	
	Gombo E	1 394		Jun 2011	
	Williams M	29		Jun 2011	
	<u>In Office until 18 May 2011</u>				
	Koti E	2 616	>150 days	Dec 2010	
	Matungana A	2 186	>120 days	Aug 2010	
	Bouw-Spies E	1 395	>150 days	Sept 2010	
	Finn A	2 347	>120 days	Feb 2011	
42.8	<u>Quotations awarded - Supply Chain Management</u>				
	Non-compliance with the Supply Chain Management Regulations were identified on the following categories:				
		Less than R30,000	Between R30,001 and R200,000	Between R200,001 and R2,000,000	More than R2,000,001
	Inventory	54 195	745 736	1 352 347	
	Executive & Council		202 367	455 904	
	Corporate Services	59 334	396 644	290 023	
	Community Services	27 718	386 955	241 768	
	Financial Services	36 157	492 904		
	Technical Services	29 145	1 073 006	2 266 625	6 833 975
	Electrical Services	44 422	1 760 312	986 903	
	Planning & Development	26 370	653 975	1 270 731	
	Strategic Services		38 400		
		277 341	5 750 299	6 864 301	6 833 975
	The major deviations were as follows:				
	Awarded to	Reason/Explanation		Amount	
	SSI Engineer (Consultants)	Continuation of work already done - downstreaming ie. single source selection in terms of NT guidelines. Includes services iro of water crisis schemes.		4 119 196	
	Aurecon SA Pty (Consultants)	Continuation of work already done - downstreaming ie. single source selection in terms of NT guidelines		2 800 450	
	Much Asphalt (Supplier)	Supply and delivery of bitumen products on the basis of sole supplier		588 355	
	Sikhulile Engineers Pty Ltd (Consultants)	Appointed under contract for housing project subject to grant funding (2005)		655 074	
	Tuiniqua Consulting Engineers (Consultants)	Distribution of projects amongst local consultants		973 523	
	Clinkscales Maugh-Brown (Consultants)	Continuation of work already done - downstreaming ie. single source selection in terms of NT guidelines		712 206	
	Knysna Nissan (Supplier)	Multiple source selection in terms of NT guidelines - Urgent due to uncertain delivery dates		722 000	

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

44 RETIREMENT BENEFIT INFORMATION

Both the Cape Joint Pension Fund and Cape Retirement Fund are multi-employer plans. This means that there are multiple local authorities that participate in these funds. In terms of GRAP 25, multi-employer plans are defined as defined benefit plans. GRAP 25 also state that when sufficient information is not available to use defined benefit accounting for a multi-employer plan, an entity will account for the plan as if it were a defined contribution plan.

The Municipality requested detailed employee and pensioner information as well as information on the Municipality's share of the Pension and Retirement Funds' assets from the fund administrator. The fund administrator confirmed that assets of the Pension and Retirement Funds are not split per participating employer. Therefore, the Municipality is unable to determine the value of the plan assets as defined in GRAP 25.

As part of the Municipality's process to value the defined benefit liabilities, the Municipality requested pensioner data from the fund administrator. The fund administrator indicated that the pensioner data is confidential and was thus unable to share the information with the Municipality. Without detailed pensioner data the Municipality was unable to calculate a reliable estimate of the accrued liability in respect of pensioners who qualify for a defined benefit pension.

Therefore, although both the Cape Joint Pension Fund and Cape Retirement Fund are defined as defined benefit plans, it will be accounted for as defined contribution plans.

CAPE JOINT PENSION FUND

The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2010 revealed that the fund is in a sound financial position with a funding level of 100% (30 June 2009- 100%). Actuarial valuations also determined that there were a shortfall in the investment return for the 30 June 2009 financial year.

CAPE RETIREMENT FUND

The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2010 revealed that the fund is in a sound financial position with a funding level of 100.3% (30 June 2009 - 103.3%).

DEFINED CONTRIBUTION FUNDS

Council contribute to the Government Employees Pension Fund, Municipal Council Pension Fund, IMATU Retirement Fund and SAMWU National Provident Fund which are defined contribution funds. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs.

45 FINANCIAL RISK MANAGEMENT

The activities of the municipality expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

(a) Foreign Exchange Currency Risk

The municipality entered into a contract for the purchase of Windows software systems for a period of 3 years, denominated in US currency. The municipality does not foresee any significant currency risks related to the transaction and is of the opinion that the benefits of the transaction exceeds the risks attached to the transaction.

(b) Price risk

The municipality is not exposed to price risk.

(c) Interest Rate Risk

The Municipality is exposed to interest rate risk due to the movements in long-term and short term interest rates.

This risk is managed on an ongoing basis.

As the municipality has significant interest-bearing liabilities, the entity's income and operating cash flows are substantially dependent on changes in market interest rates.

The municipality did not hedge against any interest rate risks during the current year.

The potential impact on the entity's surplus/deficit for the year due to changes in interest rates were as follow:

1% (2009 - 0.5%) Increase in interest rates
0.5% (2009 - 0.5%) Decrease in interest rates

2011
R2010
R2011
R2010
R(1 235 094)
617 547(1 374 176)
687 088

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

45

FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Credit Risk

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the Municipality to incur financial loss.

Credit risk arises mainly from cash and cash equivalents, instruments and deposits with banks and financial institutions, as well as credit exposures to consumer and grant debtors.

For banks and financial institutions, only independently rated parties with a minimum rating of 'B+' are accepted. Grants are receivable from higher order levels of government. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. This increases the credit risk in respect of consumer debtors. The risk of non-payment is managed on an ongoing basis and where practical, services are terminated and procedures applied to recover outstanding amounts owing and an appropriate level of impairment provision for default is maintained.

Credit risk consist mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.

Trade and other debtors are disclosed net after provisions are made for impairment and bad debts. Trade debtors comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other debtors is considered to be moderate due the diversified nature of debtors and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

All rates and services are payable within 30 days from invoice date. Refer to note 19 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms. Also refer to note 19 for balances included in receivables that were re-negotiated for the period under review.

No trade and other receivables are pledged as security for financial liabilities.

Due to the short term nature of trade and other receivables the carrying value disclosed in note 19 of the financial statements is an approximation of its fair value. Interest on overdue balances are included at prime lending rate plus 1% where applicable.

The provision for bad debts could be allocated between the different classes of debtors as follows:

	2011 %	2011 R	2010 %	2010 R
Electricity	5.41%	1 980 302	4.43%	1 218 798
Water	32.89%	12 033 697	29.82%	8 205 376
Housing Rentals	4.38%	1 602 970	8.04%	2 210 825
Refuse	13.82%	5 057 588	19.85%	5 461 843
Sewerage	12.69%	4 640 752	16.10%	4 430 925
Other Consumer Arrears	6.44%	2 356 027	0.00%	-
Rates	24.36%	8 912 908	21.76%	5 985 674
	100.00%	36 584 244	100.00%	27 513 440

The entity only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

The risk pertaining to unpaid conditional grants and subsidies are considered to be very low. Amounts are receivable from national and provincial government and there is no expectation of counter party default.

Long-term Receivables and Other Debtors are individually evaluated annually at reporting date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The maximum credit and interest risk exposures in respect of the relevant financial instruments are as follows:

Fixed Deposit Investments	14 983 551	13 295 235
Long Term Receivables	530 207	580 950
Receivables from exchange transactions	42 933 368	39 405 400
Receivables from non-exchange transactions	19 870 072	20 134 477
Short Term Investment Deposits	31 077 680	26 181 834
Bank and Cash Balances	26 230 900	139 166
	135 625 777	99 737 063

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

45 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Liquidity Risk

Liquidity risk is the risk that the municipality will encounter difficulty in raising funds to meet commitments associated with financial liabilities.

Prudent liquidity risk management includes maintaining sufficient cash and marketable securities, the availability of funding from an adequate amount of committed credit facilities.

The financial liabilities of the municipality are backed by appropriate assets and it has adequate liquid resources. The Council monitors the cash projections and ensures that borrowing facilities are available to meet its cash requirements.

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the financial year end to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 Years
2011				
Long Term liabilities	34 401 483	110 243 779	86 604 415	65 758 253
Capital repayments	17 180 613	59 354 077	50 317 386	46 690 428
Loans	15 189 735	57 135 917	50 317 386	46 690 428
Finance Leases	1 990 878	2 218 160		
Interest	17 220 870	50 889 701	36 287 029	19 067 825
Loans	16 933 571	50 612 888	36 287 029	19 067 825
Finance Leases	287 300	276 814		
Trade and Other Payables	32 086 501	-	-	-
Unspent conditional government grants and receipts	5 633 600	-	-	-
Unspent Public Contributions	4 500			
	<u>72 126 084</u>	<u>110 243 779</u>	<u>86 604 415</u>	<u>65 758 253</u>
2010				
Long Term liabilities	31 993 702	110 871 228	80 458 930	77 228 044
Capital repayments	14 630 692	58 252 873	42 266 316	53 015 429
Interest	17 363 010	52 618 356	38 192 614	24 212 615
Trade and Other Payables	21 720 451	-	-	-
Unspent conditional government grants and receipts	8 413 996	-	-	-
	<u>62 128 149</u>	<u>110 871 228</u>	<u>80 458 930</u>	<u>77 228 044</u>
			2011 R	2010 R

46 FINANCIAL INSTRUMENTS

In accordance with GRAP 104 the financial instruments of the municipality are classified as follows:

The fair value of financial instruments approximates the amortised costs as reflected below.

46.1	<u>Financial Assets</u>	<u>Classification</u>		
	Investments			
	Fixed Deposits	Financial instruments at amortised cost	14 983 551	13 295 235
	Financial instruments at cost			
	Non-Current Investments			
	- Municipal Entity - Knysna Economic Dev Agency	Financial instruments at cost	1	1
	Long-term Receivables			
	Land Sales	Financial instruments at amortised cost	194 920	186 062
	Staff loans	Financial instruments at amortised cost	11 226	19 014
	Old age homes	Financial instruments at amortised cost	259 560	258 954
	Sundry deposits	Financial instruments at amortised cost	6 800	6 800
	Current Receivables			
	Service Debtors	Financial instruments at amortised cost	40 249 763	34 332 511
	Rentals	Financial instruments at amortised cost	351 079	756 890
	Other Debtors	Financial instruments at amortised cost	2 332 526	4 315 998
	Other Receivables			
	Rates	Financial instruments at amortised cost	18 846 231	19 072 244
	Sundry Debtors	Financial instruments at amortised cost	1 023 841	1 062 233
	Government Subsidies and Grants	Financial instruments at amortised cost	3 571 365	7 906 385
	Current Portion of Long-term Receivables			
	Staff loans	Financial instruments at amortised cost	4 799	18 047
	Old age homes	Financial instruments at amortised cost	58 132	100 386

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

		2011 R	2010 R	
46	FINANCIAL INSTRUMENTS (CONTINUED)			
46.1	<u>Financial Assets</u>	<u>Classification</u>		
	Short-term Investment Deposits			
	Call Deposits	Financial instruments at amortised cost	31 077 680	26 181 834
	Bank Balances and Cash			
	Bank Balances	Financial instruments at amortised cost	26 218 630	770 325
	Cash Floats and Advances	Financial instruments at amortised cost	12 270	11 470
			139 202 374	108 294 390
	SUMMARY OF FINANCIAL ASSETS			
	Financial instruments at amortised cost			
	Non-Current Investments	Municipal Entity - Knysna Economic Dev Agency	1	1
	Financial instruments at amortised cost			
	Non-Current Investments	Fixed deposits	14 983 551	13 295 235
	Non-Current Investments	Municipal Entity - Knysna Economic Dev Agency	1	1
	Long-term Receivables	Staff loans	11 226	19 014
	Long-term Receivables	Old Age Homes	259 560	258 954
	Long-term Receivables	Sundry deposits	6 800	6 800
	Long-term Receivables	Land sales	194 920	186 062
	Current Receivables	Services	40 249 763	34 332 511
	Current Receivables	Rentals	351 079	756 890
	Current Receivables	Other	2 332 526	4 315 998
	Other Receivables	Rates	18 846 231	19 072 244
	Other Receivables	Sundry debtors	1 023 841	1 062 233
	Other Receivables	Government subsidies and grants	3 571 365	7 906 385
	Current Portion of Long-term Receivables	Staff car loans	4 799	18 047
	Current Portion of Long-term Receivables	Old Age Homes	58 132	100 386
	Short-term Investment Deposits	Call deposits	31 077 680	26 181 834
	Bank Balances	Bank Balances	26 218 630	770 325
	Cash Floats and Advances	Cash Floats and Advances	12 270	11 470
	Total Financial Assets		139 202 374	108 294 390
			2011 R	2010 R
46.2	<u>Financial Liability</u>	<u>Classification</u>		
	In accordance with GRAP 104 the Financial Liabilities of the municipality are classified as follows :			
	Long-term Liabilities			
	Non-current Loans	At amortised cost	157 973 588	155 825 073
	Payables			
	Trade payables	At amortised cost	36 761 763	26 298 878
	Current Portion of Long-term Liabilities			
	Short-term portion of Non-current loans	At amortised cost	17 180 613	14 457 926
	Cash and Cash Equivalents			
	Bank overdraft	At amortised cost	-	10 185 666
			211 915 965	206 767 542
47	EVENTS AFTER THE REPORTING DATE			
	The municipality has no events after reporting date during the financial year ended 2010/2011.			
48	IN-KIND DONATIONS AND ASSISTANCE			
	The municipality received the following in-kind donations and assistance:			
	Organisation	Contribution towards:		
	Belvidere Home Owners Association	Rheenedal Project - Upgrade old clinic building	-	30 000
	Eden District Municipality	Contribution towards World Cup 2010	-	250 000
	General public	Millwood Museum	150 000	1 202
	General public	Various mayoral initiatives, including Women's Day	2 576	161 833
	Nedbank Corporate	SMME Business Incubator	140 578	500 000
	Stewart Scott International	Contribution towards World Cup 2010	-	60 000
			-	-
			293 154	1 003 035

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

49 PRIVATE PUBLIC PARTNERSHIPS

Council has not entered into any private public partnerships during the financial year.

50 CONTINGENT LIABILITY

Claims against Council 6 558 504

The municipality is currently engaged in litigation which could result in damages/costs being awarded against Council if claimants are successful in their actions. The following are the estimates:

Alleged transfer of property to the wrong person (CK2434, ref 13/R) Unknown

Alleged wrongful impounding of trading goods and demolition of trading structure; claim for R 179 000 plus interest and costs (C01680, ref 14/1/1/1/13R) 179 000

Action instituted for damages and claims payment of R 2 030 750 plus interest @ 15.5% p.a. from 06/03/2004 and costs (C02118) 6 314 504

Possible cost order - Knysna Caring Services T/A Loeie Old Age Home. 65 000
6 558 504

51 RELATED PARTIES

Key Management and Councillors receive and pay for services on the same terms and conditions as other ratepayers / residents.

51.1 Related Party Transactions

	Rates Levied 1 July to 30 June:	Service Charges Levied 1 July to 30 June:	Other Charges Levied 1 July to 30 June:	Outstanding Balances at end of year:
Year ended 30 June 2011				
Councillors before 18 May 2011	46 068	84 709	737	7 058
Councillors effective from 18 May 2011	19 593	33 088	5 218	7 933
Municipal Manager and Section 57 Personnel	21 535	68 348	29 550	2 553
Year ended 30 June 2010				
Councillors	38 523	73 716	788	4 948
Municipal Manager and Section 57 Personnel	23 525	58 914	-	1 892

The rates, service charges and other charges are in accordance with approved tariffs that were advertised to the public. No bad debt expenses have been recognised in respect of amounts owed by related

51.2 Related Party Loans

Since 1 July 2004 loans to councillors and senior management employees are not permitted. Loans granted prior to this date, together with the conditions, are disclosed in note 17 to the Annual Financial Statements.

51.3 Compensation of key management personnel

The compensation of key management personnel is set out in note 27 to the Annual Financial

51.4 Other related party transactions

The following purchases were made during the year where Councillors or Management have an interest:

<u>Councillor/Staff Member</u>	<u>Entity:</u>	2011 R	2010 R
Mr. R. Bouwer (Stores Clerk)	J.C.O Terblanche (Dis/Reconnection)	359 657	223 071
Mr. R. Bouwer (Stores Clerk)	JC Terblanche t/a P&H Services	153 230	-
Mr. P. Claasen (Stores Officer)	G & C Suppliers	-	-
Mr. A. Finn (Member Executive Committee - prior 18 May 2011)	Head to Head	11 214	11 930
Mr. A. Finn (Member Executive Committee - prior 18 May 2011)	Global Wave	166 457	15 281
Ms. L. Grobler (Customer care admin assistant)	Q&E Carpet Cleaners Knysna	4 110	-
Ms. M. McDonald (Principal Technical Electrical)	Jam Electrical	341 197	-
Ms. N. Mlisana	Zwelidumile Mlisana	2 850	-
		1 038 714	250 282

51.5 Investment in Municipal Entity

The Municipality has a 100% shareholding in Amaraka Investments No 64 (Pty) Ltd T/A Knysna Economic Development Agency, as set out in note 16 to the Annual Financial Statements. No other transactions was entered into with this related party for the current financial year.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**52 TRANSITIONAL PROVISION TAKEN ACCORDING TO THOSE IN DIRECTIVE 4 - TRANSITIONAL PROVISIONS FOR MEDIUM AND LOW CAPACITY MUNICIPALITIES**

The municipality utilised the transitional provisions provided for in Directive 4, issued by the Accounting Standards Board, for the prior periods. The municipality is classified by the National Treasury as a medium capacity municipality and as a consequence the municipality must comply with all the GRAP Standards applicable at the reporting date.

52.01 GRAP 17 - Property, Plant and Equipment

Since the previous reporting date the following Property, Plant and Equipment were measured in accordance with GRAP 17 and restated retrospectively:

Property, Plant and Equipment		211 581 547
Accumulated depreciation on Property, Plant and Equipment		147 964 293
Total not previously recognised now restated retrospectively	-	<u>359 545 840</u>

52.02 GRAP 102 - Intangible Assets

Since the previous reporting date the following Intangible Assets were measured in accordance with GRAP 102 and restated retrospectively:

	2011	2010
Computer software;		(2 038)
Accumulated amortisation on computer software		2 035
Total not previously recognised now restated retrospectively	-	<u>(3)</u>

52.03 GRAP 16 - Investment Properties

Since the previous reporting date the following Investment Properties were measured in accordance with GRAP 16 and restated retrospectively:

Investment Properties at fair value		166 227 806
Accumulated depreciation on Investment Properties		(94 473)
Fair value adjustments		(31 662 502)
		<u>134 470 831</u>

APPENDIX A - Unaudited
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2011

EXTERNAL LOANS	Rate	Original Loan Amount	Redeemable	Balance at 30 JUNE 2010	Correction	Balance at 30 JUNE 2010	Recapitalisation	Received during the period	Redeemed written off during the period	Balance at 30 JUNE 2011
LOCAL REGISTERED STOCK										
Tswane City Council	16.35%	2 322 482	31/12/2013	2 322 482		2 322 482			-	2 322 482
Tswane City Council	16.45%	710 520	31/12/2018	710 520		710 520			-	710 520
Total Long-term Loans		3 033 002.00		3 033 002	-	3 033 002		-	-	3 033 002
ANNUITY LOANS										
ABSA	12.00%	3 231 818	04/02/2008	-		-				-
ABSA	12.00%	4 007 546	01/10/2008	-		-				-
ABSA	11.98%	15 000 000	30/06/2028	14 698 081		14 698 081			256 587	14 441 493
ABSA	10.65%	7 010 000	01/10/2028	6 839 085		6 839 085			128 897	6 710 188
ABSA	11.24%	7 000 000	30/09/2028	6 952 280		6 952 280			122 899	6 829 382
ABSA	10.04%	19 579 000	30/06/2029	19 267 782		19 267 782			366 176	18 901 606
ABSA	10.04%	19 579 000	30/06/2029	-		-				-
DBSA	11.60%	11 339 800	30/06/2021	6 565 147		6 565 147			596 832	5 968 316
DBSA	11.97%	5 077 667	30/06/2022	3 206 947		3 206 947			267 246	2 939 702
DBSA	11.97%	1 194 900	30/06/2012	265 533		265 533			132 767	132 767
DBSA	12.05%	6 898 760	30/06/2023	4 720 204		4 720 204			363 093	4 357 111
DBSA	12.05%	1 965 640	30/06/2013	655 213		655 213			218 404	436 809
DBSA	11.60%	8 594 807	30/06/2024	6 333 016		6 333 016			452 358	5 880 658
DBSA	11.60%	1 911 374	30/06/2019	1 228 740		1 228 740			136 527	1 092 213
DBSA	11.60%	1 452 650	30/06/2014	645 622		645 622			161 406	484 217
DBSA	10.70%	9 380 257	31/12/2025	7 652 315		7 652 315			493 698	7 158 617
DBSA	10.70%	1 500 330	31/12/2020	1 125 248		1 125 248			107 166	1 018 081
DBSA	10.70%	1 979 824	31/12/2015	1 222 412		1 222 412			222 257	1 000 155
DBSA	10.70%	2 024 531	31/12/2010	265 710		265 710			265 710	-
DBSA	13.75%	34 437 967	30/06/2015	21 767 824		21 767 824			3 281 246	18 486 578
DBSA	11.25%	5 386 431	30/06/2026	5 374 848		5 374 848			335 928	5 038 920
DBSA	11.29%	1 741 830	30/06/2021	1 343 424		1 343 424			122 129	1 221 294
DBSA	11.25%	2 393 924	30/06/2016	1 450 088		1 450 088			241 681	1 208 407
DBSA	8.65%	8 000 000	29/06/2021	-		-		8 000 000	-	8 000 000

APPENDIX A - Unaudited
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2011

EXTERNAL LOANS	Rate	Original Loan Amount	Redeemable	Balance at 30 JUNE 2010	Correction	Balance at 30 JUNE 2010	Recapita- lisation	Received during the period	Redeemed written off during the period	Balance at 30 JUNE 2011
Eden District Municipality	0.00%	504 000	30/06/2013	100 800		100 800			25 200	75 600
INCA	10.77%	2 561 506	23/06/2011	593 506		593 506			593 506	-0
INCA	10.81%	18 607 000	15/02/2027	17 667 715		17 667 715			400 711	17 267 004
INCA	10.87%	8 390 000	31/12/2012	4 774 254		4 774 254			1 759 676	3 014 578
INCA - Transferred to Standard Bank	11.25%	2 600 000	23/05/2018	2 305 048		2 305 048	64 222		202 817	2 166 453
INCA - Transferred to Standard Bank	11.24%	5 884 000	20/03/2019	5 539 331		5 539 331	309 828		574 245	5 274 914
INCA - Transferred to Standard Bank	10.72%	5 106 000	20/03/2014	4 284 460		4 284 460	221 121		1 067 893	3 437 687
						-				-
Nedbank	10.08%	14 960 000	17/06/2020	14 960 000		14 960 000			902 363	14 057 637
Standard Bank	10.26%	10 000 000	30/09/2020	-		-		10 000 000	299 924	9 700 076
Total Annuity Loans		249 300 560		161 804 631	-	161 804 631	595 170	18 000 000	14 099 340	166 300 462
LEASE LIABILITY										
Finance Leases				3 156 050	171 627	3 327 676		2 110 799	1 229 437	4 209 038
Total Lease Liabilities				3 156 050	171 627	3 327 676		2 110 799	1 229 437	4 209 038
TOTAL EXTERNAL LOANS				167 993 683	171 627	168 165 309		20 110 799	15 328 777	173 542 502